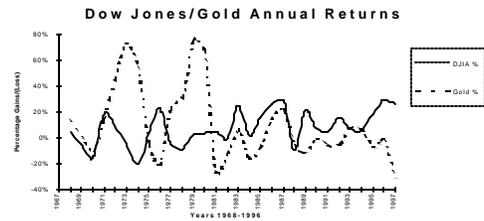




# Gold & Technology Stocks



Weekly Hotline Message

(Now in our 25<sup>th</sup> Year)

January 27, 2007

New Buy Recommendation

## Augen Capital Corp.

A Good Way to Buy Speculative Canadian Mining Stocks and Benefit from "Flow-Through" Financings



Business: Merchant bank financing and investing in early-stage natural resource exploration companies

Traded TSX-Venture:	AUG
Pink Sheets:	AGNCF
Shares Outstanding:	32,555,615
Price 1/26/07:	US\$0.398
Market Capitalization:	\$13 Million
Earnings Per Share: (9 months as of 9/30/06):	\$0.04
Progress Rating:	"A"
Telephone:	416-777-2007
Web Site:	<a href="http://www.augenc.com">www.augenc.com</a>

A couple of weeks ago, before I traveled to Vancouver for the latest Cambridge House conference, I received a call from David Mason, the Managing Director of Augen Capital Corp., to advise me of his company and what it is doing in Canada's junior resource markets. My ears perked up when David told me that Rick Rule had suggested he give me a call because I have a very high regard for Mr. Rule. I consider him to be one of the brightest minds in the natural resource financing sector and when he likes something, I feel compelled to take a close look. His brokerage/investment firm, Global Resource Investments [www.globalresourceinvestments.com](http://www.globalresourceinvestments.com), has been highly successful for many years. I am always impressed with Rick when I hear him talk. He always has good, life-sustaining advice for people when he speaks at conferences. So given the referral of Mr. Mason to me from Mr. Rule, I dug into this company and have now chosen it as an excellent way for investors to participate in this natural resource bull market.

### A Much-Needed Product for Our Subscribers

In fact, I believe David Mason's Augen Capital provides a much-needed product not only for subscribers to this letter but for our energy subscribers as well. I say that because small investors, or those who do not wish to spend the time to study and keep on top of the day-to-day trials of individual companies, can let David and his skilled team of financiers do it on their behalf. Moreover, if you buy Augen Capital, you will be buying a large portfolio of junior exploration stocks, so you instantly get the kind of diversity I so highly and persistently recommend that you adhere to. As a matter of fact, given the time it takes me just

---

to keep track of all the gold stocks I have in one of my IRA accounts, I may sell most if not all the junior gold stocks and buy Augen Capital with the proceeds. That way I can devote more time to trying to find good stocks for you, my subscriber.

So with Augen, you get diversification not only of resource stocks but also of junior exploration stocks. I know of no other closed-end fund that trades publicly that gives you this kind of diversified exposure to junior gold, silver base metal, and energy stocks. Diversification in the resource sector in a bull market is how we in our Model Portfolio have been able to beat the S&P 500 consistently since 2000. We think for those of you who are not inclined to invest in a larger number of stocks, Augen enables you to do so and benefit from the 10-baggers that are out there in this environment such as Energy Fuels, a uranium exploration stock that has been one of Augen's recent big winners.

But more than that, this is the only way non-Canadians can profit from the Canadian flow-through tax incentives to the natural resource sector. As owners of Augen Capital, shareholders benefit in the following ways:

- Augen gets a 2% fee on the flow-through money it raises. Last year the company raised about C\$15 million in the fourth quarter and then C\$30 million during Q-1 of 2007. Management anticipates raising approximately C\$50 million during Q-1 of 2008.
- It receives a setup fee as well as due diligence fees in connection with the work involved in structuring flow-through financings and raising the capital.
- It earns a 20% performance fee on projects it funds.

### **Nine Months Ending 9/30/06**

During the first nine months of 2006, Augen generated just under C\$4 million in revenues and reported a net income of C\$983,259, or C\$0.04 per share. That is up from C\$1,263,708 in revenues during the like period of 2005 and a net income of \$72,313.

The merchant bank's assets grew from C\$4.2 million at December 31, 2005, to C\$7,003,277 at September 30, 2006.

In terms of the company's two basic activities, its "managed products" activities generated C\$1,970,630 in revenues and an operating profit of \$704,474. "Managed products" involves the management of flow-through shares and mutual funds for Canadians.

Merchant banking activities generated just under C\$2 million and generated operating earnings of just under C\$1.5 million. Revenues and profits in both of those sectors of the company's business were up sharply from the prior year. As long as the bull market in resource stocks continues, I would expect we can anticipate earnings for this company to continue to rise dramatically. And it is my understanding that the company is about to secure a fairly large funding arrangement from a major Canadian bank that would enable the company to continue to grow its business at an even more rapid clip.

We think the company's ability to generate "bread and butter income" from its "managed products" business augments very well the more speculative aspects of merchant banking and as such can help produce cash flows during market pullbacks. The only other company akin to Augen on our list is Endeavour Mining Capital Corp., which we also have a high regard for and plan to continue to own for more conservative investors. But Endeavour does not provide a benefit from flow-through funding, nor does it focus on the smaller companies, which are in fact the ones that can provide phenomenal returns on investment. Owning any one of those stocks represents considerable risk. Buying a portfolio of the most speculative juniors provides enormous upside potential while risk is reduced—especially in a bull market like we are in now—through substantial diversification.

## MANAGEMENT & Key People

**J. David Mason, B.A.Sc., P. Eng., M. Eng. – Chairman, Managing Director** - Educated in engineering, economic geology, mining, financial services, and analysis. Mining experience includes positions with Noranda Mines, Rio Algom, and the Ontario Government. 10 years as a mining analyst (Wood Gundy & Walwyn Inc.), 10 in corporate finance, and 5 as an investment advisor. Proven track record of landing deals that yield maximum return on investment. Has delivered return on assets of over 30 percent p.a.

**Ian C. Peres, C.A. – Chief Financial Officer** - More than 10 years of experience in senior wealth management finance roles in small and large financial institutions, including investment counseling and fund companies. Brings to Augen solid operations experience along with a strong compliance and information technology background.

**Ron Mann, B.Sc., LLB. – Vice President, Business Development** - 20-plus years' experience in sales, marketing, mutual fund development, Internet securities company development, and corporate finance. Strong background with public companies in the investment, mining, and petroleum exploration industries in Canada and internationally.

**Cletus Ryan, Vice President, Sales** - Mr. Ryan has 20 years investment industry experience with several executive sales positions for a number of major mutual fund companies and wealth management complexes. He graduated with an Honours Bachelor of Commerce degree in 1986, and has several other industry credentials.

## AUGEN'S ADVISORS:

- Lee Barker, a prominent geologist with over 40 years experience with mineral, metal, and diamond exploration, and an officer and former director of several public companies, including Lacana, Corona Corp., Aber Resources, Southern Era Resources, and Platinova Resources. He is currently President of Sparton Resources Inc., a public company that is involved in metal exploration and development in China.
- S. Robert Blair, who has an extensive business, resource, and chemical background, including 10 years as CEO of Alberta & Southern Gas, 22 years as President and/or Chairman and CEO of Alberta Gas Trunk Line / Nova Corp. Group, and has acted as director of over 12 significant corporations, including Dofasco, Husky Oil, Canron, Biomira Inc., Polysar, and Bank of Montreal. He is presently Executive Chair and President of Photon Control Inc., an emerging technology company supplying control equipment to the energy transport business;
- Lynda Bloom, a prominent geologist and geochemist, who has accumulated a broad range of experience from junior mineral exploration company management, project management through to production laboratory operations. She is a director of two listed resource companies, as well as director and advisor to several industry associations, and president of analytical Solutions metal assay laboratory.
- Peter Bojtos, an Engineer with over 33 years of worldwide experience in the mining industry. He has a strong background in corporate management as well as in exploration feasibility studies, mine construction, operations and decommissioning. Over his career he has visited and evaluated properties in about 80 countries and has been involved with operations in 30. Most recently he was a Director of Desert Sun a Brazilian gold producer.
- Robert Chenery, a professional Engineer, M.B.A. petroleum industry consultant – previously with senior management at Elf Aquitaine Group, co-founded a consulting firm that specialized in advising Bankers and Investors in the North American oil and gas industry. Creator of the Chenery Dobson Survey of Oil and Gas Consultants and Banks. For the past 2 years he has been an advisor in the Investment Banking business.
- Robert Jackson, a respected senior mining financier with expertise in investment analysis, transaction execution, and capital formation. He has 18 years in the investment business in Canada and the UK, and has been involved in raising more than \$1 billion. Formerly EVP Corporate Development, Jaguar Mining, Inc., he is now President of Tiomin Inc. a company that has titanium and copper-gold development projects in East Africa.
- Jack Mullins, more than 30 years as Senior Geologist with Watts, Griffis, and McOuat, Canada's largest mineral consulting firm. This position entailed travel to most parts of the world and contributing to feasibility

---

studies on a wide range of mineral and metal projects. Memorial University Scholar in Geology. He is a former director of Energy Fuels Inc., one of Augen's most significant investments, now into uranium development.

- Hugh Squair, an independent consultant since 1989, and former Technical Advisor to the Ontario Securities Commission. He has worked as an exploration geologist, superintendent, and manager for companies such as Falconbridge and Noranda, and is considered one of Canada's most distinguished VMS specialists. He is a long-standing member of the Institute of Mining & Metallurgy (London), and other professional organizations.
- Rhoderic C. Whyte has over 30 years' international experience in mining and natural resources markets. He is based in London, England and is Chairman of Moneta Porcupine Mines in Canada and of East West Timber in Russia and is a consultant to several Australian or AIM listed companies. He was Director of Sales and Research as well as a former mining analyst for several London based institutions in the past 25 years.

## SUMMARY

Augen Capital is similar to Endeavour Capital, a well-managed company we have done well with and think will continue to do well for our subscribers. However, Augen Capital is unique in that it allows investors not only to play the really small junior mining sector with limited risk through diversification, but it also allows non-Canadians a chance to profit from flow-through financing provided by both the national Canadian government and by provincial governments as well.

We recommend purchase of Augen Capital as a means of diversification and think it is especially of value to those of you who may not have either sufficient capital to properly diversify your holdings or the time to keep up with development for those companies. In fact, we see the potential for this merchant banking stock to provide exposure to our "B", "C," and "D" progress companies that they otherwise would not have. Also, we would suggest ownership of Augen and/or Endeavour as way to adequately diversify your portfolios along with a handful of other stocks on our list that you might find particularly attractive. For example, you might want to place 50% of your portfolio in Endeavour and 50% in a handful of other stocks. If you allocated 5% of your portfolio to each single stock, you could buy ten more stocks, assuming you were fully invested. Or if you placed 75% of your portfolio in a combination of Augen and Endeavour, you would be able to buy five stocks in addition to these two funds and diversify according to our 5% maximum suggested limit.

The most important thing to keep in mind is that Augen has an excellent management team and a solid track record. We think this is in fact a kind of "baby" Endeavour and as long as this bull market in precious metals and commodities lasts, we think this stock has a long way, to the upside, to run.

---

**J Taylor's Gold & Technology Stocks (JTGTS)**, is published monthly as a copyright publication of **Taylor Hard Money Advisors, Inc. (THMA)**, Box 770871, Woodside, N.Y. Tel.: **(718) 457-1426**. Website: [www.miningstocks.com](http://www.miningstocks.com). THMA provides investment ideas solely on a paid subscription basis. Companies are selected for presentation in JTGTS strictly on their merits as perceived by THMA. No fee is charged to the company for inclusion. The currency used in this publication is the U.S. dollar unless otherwise noted. The material contained herein is solely for information purposes. Readers are encouraged to conduct their own research and due diligence, and/or obtain professional advice. The information contained herein is based on sources, which the publisher believes to be reliable, but is not guaranteed to be accurate, and does not purport to be a complete statement or summary of the available information. Any opinions expressed are subject to change without notice. The editor, his family and associates and THMA are not responsible for errors or omissions. The editor does hold a small position in the shares of the company mentioned above. No statement or expression of any opinions contained in this report constitutes an offer to buy or sell the shares of the company mentioned above. Under copyright law, and upon their request companies mentioned in JTGTS, from time to time pay THMA a fee of \$500 per page for the right to reprint articles that are otherwise restricted solely for the benefit of paid subscribers to JTGTS. Subscription rates: One Year \$159; Two Years - \$264; Three Years \$360. Foreign delivery postal system, add 25% to regular prices.