MORNING NOTES **Friday March 5, 2010**
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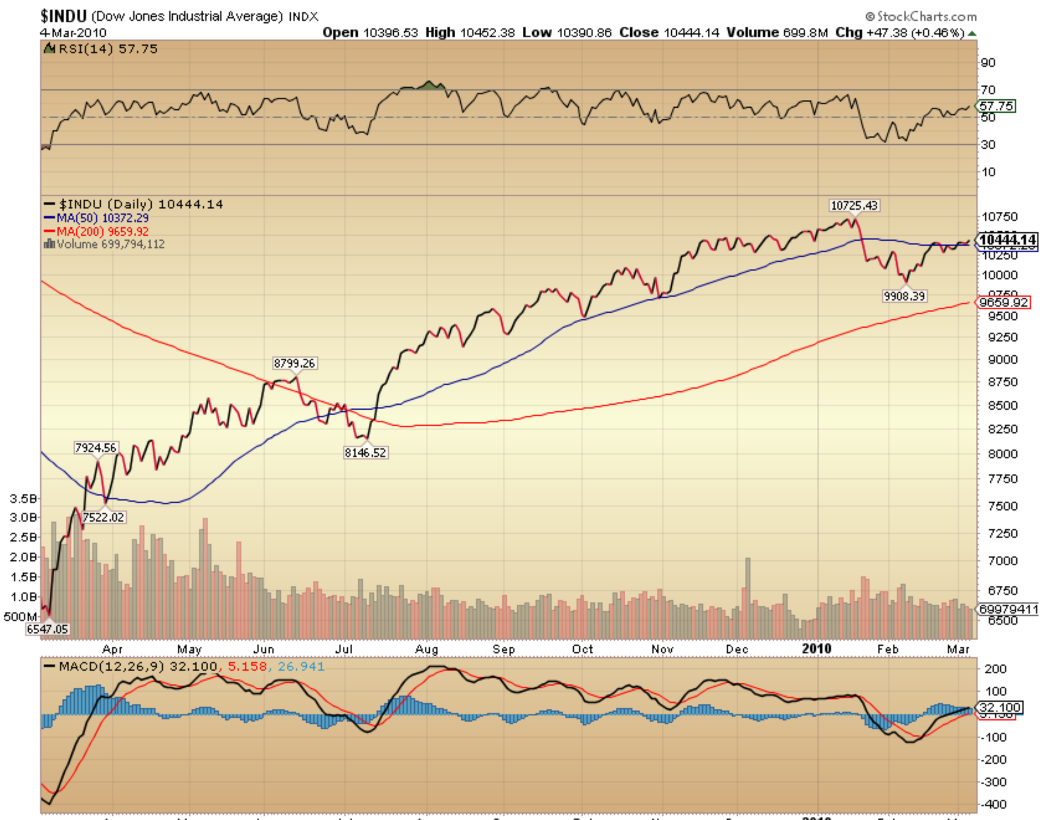
Today's Notes:

1. **The Rear View Mirror**
2. **Revett (News release on performance and Rock Creek)**

1. THE REAR VIEW

Most will not recognize this fact. One year ago today Citigroup CEO Vikram Pandit leaked an internal memo suggesting that its fourth quarter would show a profit. At that point the world was disintegrating. The Dow Industrials had declined to 6547. There was little in the economy or the markets that looked positive. However the singular internal report set the Street on fire. The following graph shows the equity (Dow Industrials) revival or the past year. It has been a very volatile ride.

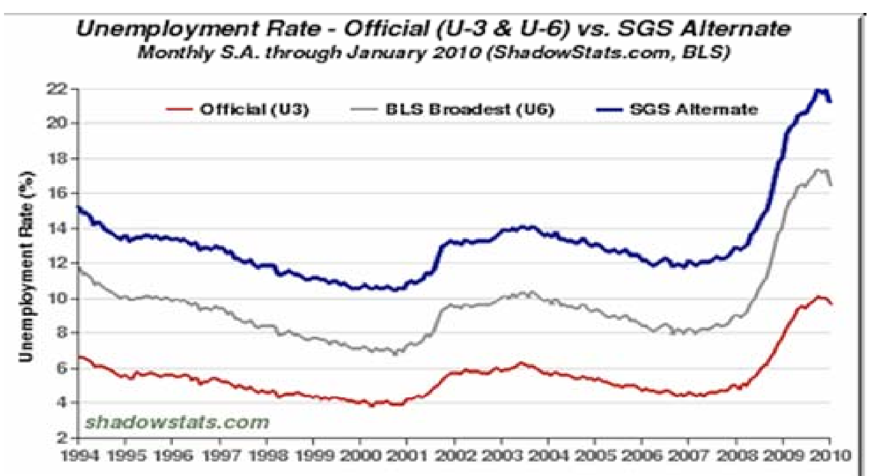


The equity market had declined ~55% from the market top (October 2007 DOW of 14,453). In the past year the market has gained 59%, great wealth creation in by any standard. However, from the October 2007 market top the equity market has clawed back only half of what it lost in the Great Contraction. Meanwhile Citigroup, despite a short but strong move higher (from $1.02 to $3.80 in six trading days), has done little. It is struggling with significant derivative exposure yet to come to the market. Citi shares now trade at $3.43 and her shares look tired today. They have been bleeding for more than 6 months as you can see below. Likewise the equity market cannot get out of its own way.

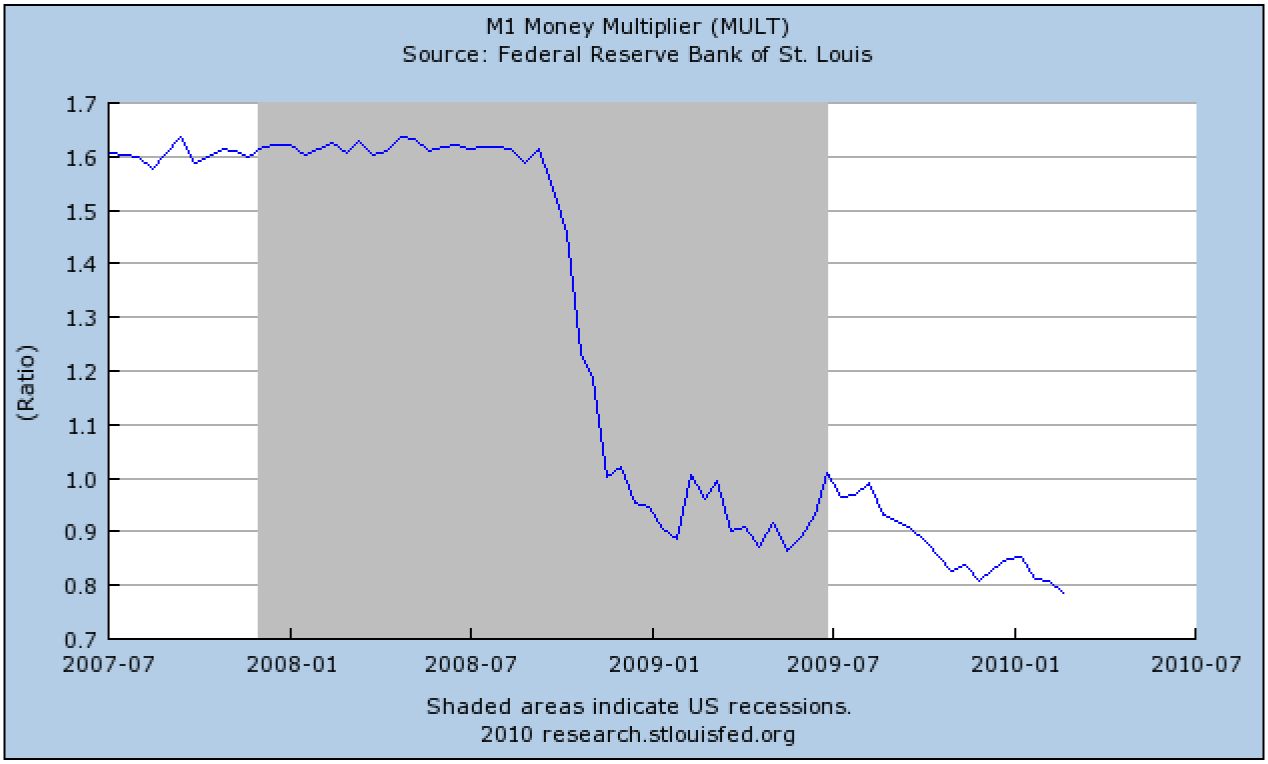
Here's the situation. Unemployement was reported this morning – another 36,000 jobs lost in the US in February. If you believe the BLS, the unemployment rate held constant at 9.7%. If you place any credence on the Shadow Stats and take into account discouraged workers rate is closer to 21%. Take your pick.

John Williams over at *shadowstats.com*. The **Alternate Unemployment Rate** reflects current unemployment reporting methodology adjusted for SGS-estimated long-term discouraged workers, who were defined out of official existence in 1994. That estimate is added to the BLS estimate of U-6 unemployment, which includes short-term discouraged workers. Based on these numbers [which I

believe are far closer to the truth] the current U.S. unemployment rate is hovering around 21%



In any event, no new jobs are being created. Government workers are being paid 10% to 15% more than those in the private sector in similar jobs. Can you see the reality of what is happening? Under any of these unemployment scenarios there can be no real and sustainable recovery in the US. Meanwhile lenders are not lending, and the M1 money multiplier has now fallen to an all time low. De leveraging is still in force. The banking system is not cooperating. This is a reverse multiplier effect.



Bottom line:

1. There is little evidence of inflation at present.
2. The US banking system continues to defer in its lending role.
3. Sovereign debt problems worldwide continue to mount, the US perhaps included.
4. The US labour market is pathetic.
5. De leveraging persists.
6. Dollar strength is ephemeral and will fade away over time.
7. We think gold and silver are places to park your $s.
8. We think Canada, Australia, India and Brazil are attractive investing opportunities in the discovery space.

We argue, once again, for the 90%/10% portfolio allocation with a deflation / inflation hedge in the "90%" portfolio. Owning a cash account and a gold account (Gold or silver ETF's, legacy mining companies, or the metal), if you wish to hedge the still uncertain outcome in the struggle between deflation and inflation, is an excellent approach. Goldcorp is a favorite. In our view the de leveraging process is unfinished. Inflation, and with it currency debasement, will come but we cannot forecast the timing. 10% of your world should still be invested in discovery and allocated according to your risk aversion between incubator and legacy companies in the emerging and commodity countries.

Canada and Australia and several emerging countries are investments to consider. With Canada's convincing performance in the Olympics and especially in the hockey tournament, Canada seems to be pulling away from its traditional dependence on the US. An examination of the natural resource deals she has completed with China and other countries tells this story.

Please have a look at Goldbrook Ventures. China has teamed up with this company that has a commanding position in the Raglan district of the far north of Quebec (Nickel, Copper, PGM's). This deal was facilitated by Ottawa. Goldbrook (GBK TSXV) is a very cheap stock today.

So the past year has left of with very little in the economy to cheer about. The equity market seems to continue to cheer. We are on the cusp of the "Decline of Empire in the Age of Discovery." This is the title of my presentation at the Cambridge House Symposium in Calgary Alberta on April 10th and 11th. www.cambridgehouse.ca. Have a restful weekend and don't fret – discovery investors are going to survive and prosper.

2. REVETT (NEWS RELEASE)

I don't usually wrtie on a company two days in a row. However Revett came to market this AM with important news. Here is a company trading for pennies (~35 cents) that is producing a valuable silver / copper concentrate and has a March 17th date with Jusge Molloy for possible resolution of the Rock Creek. I include a few important pieces of data from their release this AM.

On the Troy Mine operation the company's release included:

Troy Mine Operation Highlights
Revett is proud to have achieved its fifth consecutive year of increased productivity at its 100% held Troy Mine.

- ***Record mill throughput with 1,337,225 tons processed despite a difficult 3rd quarter resulting from an eight day shut down due to electrical problems in July:***
  - ***3,735 tons per day average productivity during 2009 as compared to 3,652 tons per day in 2008;***
- ***Lowest annual direct operating cost per ton since Revett reopened the mine in 2005:***
  - ***Achieved US$ 20.32/st direct operating cost compared to US$ 26.18/st in 2008, a 22% reduction;***
- ***Reinitiated exploration efforts as financial stability improved throughout the year:***
  - ***Focusing on deposits directly beneath, and adjacent to the existing mine infrastructure;***
- ***2010 is off to a good start as Troy has averaged 4,401 tons per day through the mill year-to-date:***
  - ***As of February 28th, the mine had produced 228,829 ounces of silver and 2,027,970 pounds of copper.***

And the Rock Creek update:

The Company is continuing to advance the Rock Creek project and a status conference has been set for March 17th, 2010 in the Federal District Court of Montana to discuss the status of legal proceedings and the Company's intent to file its 20 day notice to proceed in early April.

Concurrently the Company is working with State and Federal agencies on reclamation bonding and implementation of the wildlife and environmental protection measures as specified in the Record of Decision."

Please see the full release eon Revett Mineral's web site.

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