

Today's Notes:

- 1. This AM - I Worry: Threats and Gunshots**
- 2. Midway Gold – Accumulate**
- 3. My Omission on the Goldcorp Deal with Quaterra Resources**

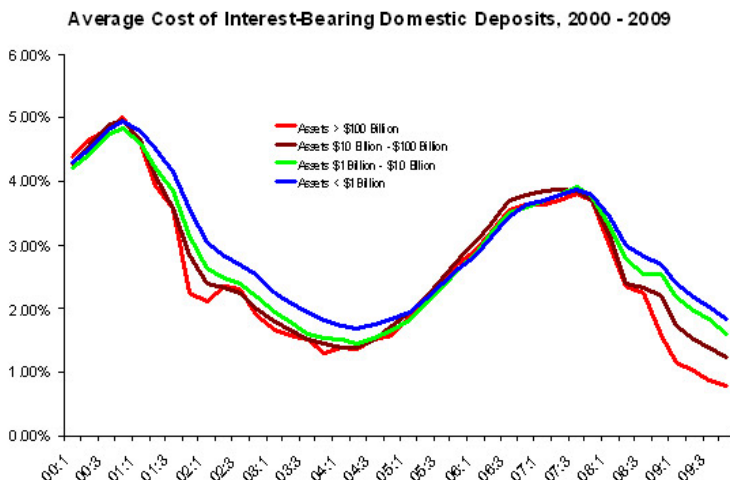
1. THIS AM - I WORRY

Apparently threats and gunshots have been leveled at both Democratic and Republican representatives recently. The mood in the nation is sour indeed. When will the bill come due? What bill? You ask. It is the bill for government spending and debt creation. Many Americans feel much of this is wasted. For several years now we have espoused the issue of too big to fail in the American banking system. Now the big banks that remain are receiving monstrous tax rebates from the US government. Several of the “Big” banks were thought too big to fail. Treasury now owns 27% of Citibank (C \$4.27). J. P. Morgan, Bank America and Goldman Sachs (yes Goldman turned itself into a bank so it could be “saved” in the critical days of 2008) were also considered “too big.”

On the other hand the vast American banking system (5,000 Community and other banks in 50 states) is failing. On March 19th the FDIC took receivership of seven more failed community banks. This makes a total of 210 failed banks or ~4% of the total. Between January 2010 and March 19th, 43 community banks have failed. In 2009 167 failed. Between January 2002 and December 2008 only 14 U.S. community banks failed. There are many more failures to come. The FDIC has raised its insurance rates on the survivors to offset the outflow of its reserves. The inequity of the “Too Big to Fail” phenomenon for large banks is amply demonstrated. Basically the FDIC is broke. FDIC

Chairman Sheila Bair said last week,

“For too long we have seen large banks and non-banks alike receive implicit government support to the distinct disadvantage of community banks. You can see this disadvantage in your funding costs. The average cost of interest-bearing domestic deposits for the largest banks, those with more than \$100 billion in total assets, was over 100 basis points less than average deposit costs at community banks in the fourth quarter.”



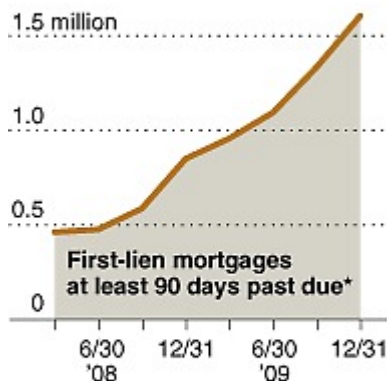
As we all know the Obama Administration has “pushed through” health care legislation that apparently more than half the U.S. population wants repealed. Ultimately this legislation will be a real budget buster. Last night the President challenged the majority of the American people to try to repeal the law. 15 states believe that the legislation signed into law violates the Constitution. They will sue. A dozen of America’s largest companies estimate that the new health care bill will cost \$14 billion in its first year.

No reasonable dissent seems to matter to this President. Referring to the repeal threat, he defiantly said, “*Bring it on.*” We have never in our lifetime seen such puerile divisiveness in any president. Most presidents, aware of their budding legacy, tend to be healers and not dividers of the country. It is clear that change is upon us all whether we want it or not.

This AM, the Administration and the Democratic Congress, in a likely attempt to win back voters unhappy at propposed new taxation (on the few that actually pay taxes), has decided to save those homeowners who assumed more mortgage debt than they could afford. How fair is this gambit? I wish I had taken out a no-down, sub prime loan at 4% so I could have the government (taxpayer ultimately) refinance my mistake. It is a diabolical and cynical move of our leaders. It is designed for one thing only – the November elections here in the U.S.

More Falling Behind

The number of mortgages 90 days or more past due has continued to rise.



*Figures are based on about two-thirds of first-lien mortgages, so the actual national number is likely to be higher.

Source: Office of the Comptroller of the Currency

There is indeed a U.S. foreclosure crisis in the works. In the fourth quarter of 2009 the foreclosure rate was 9% or 128,859 homes that were foreclosed (38,000 more were sold short). As you can see above, by the end of last year, 1.5 million homeowners were falling behind on their payments – and the rate of default was climbing rapidly. No doubt about that. The New York Times notes,

“About 11 million households, or a fifth of those with mortgages, are in this position, known as being underwater. Some of these borrowers refinanced their houses during the boom and took cash out, leaving them

vulnerable when prices declined. Others simply had the misfortune to buy at the peak.”

The Administration estimates that this new program will cost \$14 billion – we think it will be much more expensive. The “Too Small Not to Fail” game is now being played out. When will this futile spending in Washington stop? When will the printing of fiat dollars end? Will it end in a takeover of the economy by Washington? Maybe, but you must have a say if you are a citizen. More important, when will those that did not over extend debt limits, and that pay taxes, be treated fairly? I worry this AM for good reason.

2. MIDWAY GOLD

This is a stock I like - a lot. It is cheap and has developed a portfolio of 4 gold projects in Nevada and Washington with significant potential. The Midway deposit (near Tonopah) and Spring Valley (18.5 square miles near Lovelock) are just two of its four properties in the U.S. Its major partner Barrack recently announced that it will spend \$5 million on Spring Valley this year. Barrack must spend \$30 million on Spring Valley by 2013 to earn a 60% ownership position in Spring Valley. This deal is excellent for Midway shareholders. Assessing the accompanying graph I think Midway shares have bottomed. Please remember that this is a U.S. gold company with significant mature discovery potential. The other three properties are owned 100% by Midway Gold.

President and COO Alan Branham said,

“We are pleased that Barrick has demonstrated their commitment to the Spring Valley project, for a second year. Barrick has reported completion of the US\$4M program for 2009 with 34 holes that had positive assay and metallurgical test results ... A successful 2010 program could continue to add significantly to the underlying resource base, which would add value from the project for both Midway and Barrick.”



3. SLIGHT BUT IMPORTANT CORRECTION

Wednesday I wrote about Quaterra's deal with Goldcorp (GG NYSE). Goldcorp has announced that they have optioned the first property in Quaterra's extensive Mexican property portfolio. It is called Sierra Sabino and seems similar to Peñasquito 80 km to the north. GG is committed to spend up to \$2 million on the property and can earn 65% with a bankable feasibility and production decision. **Quaterra remains the exploration operator on the property.** We expect to see more such decisions by GG on QMM's properties in the future. Quaterra's Mexican ace Tom Turner is largely responsible for the selection and exploration on these 16 properties.

Goldcorp is not the operator – Quaterra Resources is. This speaks volumes about Quaterra's capabilities and Goldcorp's confidence in Quaterra. After all, Turner and Patton discovered and developed GG's massive Peñasquito. Evidently Goldcorp wants more. I received many comments from readers regarding this omission in my Wednesday MN.

The material herein is for informational purposes only and is not intended to and does not constitute the rendering of investment advice or the solicitation of an offer to buy securities. The foregoing discussion contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (The Act). In particular when used in the preceding discussion the words "plan," confident that, believe, scheduled, expect, or intend to, and similar conditional expressions are intended to identify forward-looking statements subject to the safe harbor created by the ACT. Such statements are subject to certain risks and uncertainties and actual results could differ materially from those expressed in any of the forward looking statements. Such risks and uncertainties include, but are not limited to future events and financial performance of the company which are inherently uncertain and actual events and / or results may differ materially. In addition Dr. Berry may review investments that are not registered in the U.S. He owns shares and in Goldcorp, Senesco Technologies, Natural Blue Resources, Horseshoe Gold, Derek Oil and Gas, Terraco Gold, Neuralstem, Piedmont Mining, MegaWest Energy, CGX Energy, Solares Lithium and Quaterra Resources. Dr. Berry is a paid advisor to Revett Minerals. We cannot attest to nor certify the correctness of any information in this note. Please consult your financial advisor and perform your own due diligence before considering any companies mentioned in this informational bulletin.