

Today's Notes:

1. **Wash Your Hands -2**
2. **Green Shoots**
3. **3. Quaterra Resources: The Business Model**

1. WASH YOUR HANDS -2

Last week I received quite a few emails from readers suggesting that I was over emphasizing the importance of the swine flu using scare tactics. Actually I had no intention to do that. My main message was simply to take precautions. No not the type that Vice President Biden advocated. He suggested avoiding crowded places – you know planes trains and subways. But his advice, were it taken, would have consequences far beyond the direct health impacts of the flu. The economic wheels of the country would grind to a halt. In New York City alone, on average 5 million people ride the subways to work each day. Twenty million people use New York's La Guardia airport each year to fly for business and pleasure. It is impractical to attempt to counter this flu, particularly at this stage, with isolation. One study recently cited was published in the ¹in the May 2008 issue of the journal Applied and Environmental Microbiology. It showed that the H3N2 virus can live for 17 days on paper money (bank notes) and that H1N1 (not the current exact strain) can exist for up to 10 days particularly if there is a mucus shield from a sneeze or cough.

Incidentally new US paper currency has a fungicide in the paper which tends to inhibit but not totally kill these critters. Yet Mexico recently cancelled all school activities for 10 days (including some business - mining) to try to stop the spread of the Swine virus. Such actions may prove necessary but they do extract a serious toll on the economy as well.

The good news is that this particular outbreak, which many consider a pandemic (officially it must be a category 6 on the WHO severity scale), seems to be winding down. While it appears to be spreading globally it does NOT seem to have a serious mortality rate. I believe that the word “pandemic” also conjures up visions of the apocalypse. But a pandemic is a pandemic whether it is mild or severe in terms of mortality rate. Thus far, this evolving “pandemic” seems to be very mild.

We must all become educated on the issues involved here. There have only been four flu pandemics in history. They occurred in 1889, 1918, 1957 and 1968. The mildest of these pandemics was the 1968 Hong Kong flu that killed 35,000 Americans and 700,000 worldwide. The 1918 flu pandemic was a kettle of a different fish. It killed 675,000 in the US and between 35 million and 100 million worldwide. The H5N1 Avian strain that occurred in 2005 to 2008 has not yet become close to becoming a pandemic even though it

¹ Please read the full study on influenza and Swiss francs, “[Survival of Influenza Virus on Banknotes](#)” in the journal Applied and Environmental Microbiology.

had a very high mortality rate². Very simply it was difficult to catch this virus and occurrences of human to human infection were rare. That is not the case with this form of the Swine flu (H1N1). Thus this virus brings with it a different set of concerns. The 1918 flu was relatively mild in its first incarnation. Six months later the same virus had mutated and struck hard killing with a speed and ferocity perhaps matched only by the Black Death of the medieval period. **This wave feature of the flu is really what the CDC and WHO officials are worried about at this time.** Visiting Scholar John M Barry (Tulane Center for Bio environmental Research) writes in the New York Times op-ed,

“What’s important to keep in mind in assessing the threat of the current outbreak is that all four of the well-known pandemics seem to have come in waves. The 1918 virus surfaced by March and set in motion a spring and summer wave that hit some communities and skipped others. This first wave was extremely mild, more so even than ordinary influenza: of the 10,313 sailors in the British Grand Fleet who became ill, for example, only four died. But autumn brought a second, more lethal wave, which was followed by a less severe third wave in early 1919.

The first wave in 1918 was relatively mild, many experts speculate, because the virus had not fully adapted to humans. And as it did adapt, it also became more lethal. However, there is very good evidence that people who were exposed during the first wave developed immunity — much as people get protection from a modern vaccine.

The 1889 pandemic also had a well-defined first wave that was milder than succeeding waves. The 1957 and 1968 pandemics had waves, too, though they were less well defined.

In all four instances, the gap between the time the virus was first recognized and a second, more dangerous wave swelled was about six months. It will take a minimum of four months to produce vaccine in any volume, possibly longer, and much longer than that to produce enough vaccine to protect most Americans. The race has begun.”

It now appears that this flu first wave will be quite mild. That is a cause for rejoicing. But we must not let our guard down because the Fall flu season will be upon us in a few short months. Mr. Barry’s hope is that a vaccine can be in production by the fall. In the meantime wash your hands, frequently. Watch contact with garbage, toilet seats and door knobs. Just take care. Avoid touching hands to face if possible. When you cough or sneeze try not to sneeze into your hands. There is no cause for panic but there is a serious cause for care and cleanliness. That is the most effective way to disable this budding pandemic.

I suggest the purchase of an alcohol rub for your hands. Carry it with you. I use ionic silver solution. I drink it twice daily and rub in on my hands. When flying I carry a very small (legal) bottle of ionic silver and spray it in my mouth and nostrils frequently. Either technique will kill this virus. In response to several emails that requested information on the silver, I obtain my silver solution from Nutronix in Richmond, Virginia (www.Nutronix.com). I have no economic affiliation with Nutronix.

Please take care – it’s that simple.

² H5N1 is still around today. In 2008 it infected 11 people in 5 countries. Virologists believe that the strain could at some future time mutate (reassort) and become more infectious.

2. GREEN SHOOTS

This week I will be presenting at the SaskRocks conference in Saskatoon, Saskatchewan. My topic is, "Green Shoots." Yesterday I presented a similar topic to the 115th meeting of the New York Council of Machinists and Aerospace workers in Niagara Falls New York. It was a most interesting day where several speakers (Congressman Maffie D NY) spoke on the economic issues. Following the current economic contraction has been most interesting. It is a study in current events to some extent. One day's news is overly negative (and so hyped by the press) and the next day's news is a rosy scenario (and so hyped by the press). It is truly a day to day meandering of the economies of this blue globe. As of this point in time no one knows the timing or severity of the outcome.

But for the first time yesterday I discovered a few Green Shoots. One in particular struck me as significant. It is the Morgan Stanley equity commodity index. In spite of depressed energy prices this index is one "Green Shoot" that is clearly pointing at recovery. It is significant because these are stocks that trade and not the actual commodities. In addition, the 20 large cap companies in the index include food stocks, energy stocks, fertilizer exposure, paper shares and metals.



From its bottom of 363.05, this diversified index has made steady progress since November 2008. It has returned 55% to the 561 close on Friday May 1, 2009. Because this portfolio represents equities, and commodity equities at that, and because it is quite well diversified I think this is a very serious "Green Shoot" for economic growth.

Even our old friend copper seems to want to move higher. Many prognosticators, including yours truly, have suggested this is a China buying spree that could end when China has stocked up. Some British commentators have even suggested that the Chinese government is attempting to diversify its dollar hoard with tangibles. But today we see copper trading at \$215.50 per ton. Many consider the \$2 per pound mark the magic level for profitability in the North and South American copper segment. Further, the supply destruction of shelved and delayed copper projects may now be felt.

This AM copper is trading up \$5.50 to \$215.60 as I write. It would appear that a break through \$220.00 would be significant for the red metal and perhaps for the economy.



Now please do not misunderstand. There are still formidable obstacles in the path of the global economy. Foremost are housing and the bank crisis. They still reverberate. We shall see the results of the stress tests this week; they will be important perhaps either way.

But green shoots are appearing each day.

3. QUATERRA RESOURCES

Last week I had the pleasure of hosting Dr. Tom Patton, CEO of Quaterra Resources here in New York. Tom travelled the city telling the QMM story. I was great to be back in the saddle again. One aspect of the many meetings with buy side money managers, bankers, analysts and individuals was that there is now a willingness to listen to advanced exploration and development mining stocks.



Last week Dr. Patton revealed the real Quaterra story. For the past few years Quaterra has been in accumulation phase (in my opinion). In this timeframe potential world class properties were acquired. These included:

- 1) the South West Tintic Copper porphyry (Bear Creek and Kennecott historical resource of 400,000 tons of .4 copper, moly, gold and silver),
- 2) The MacArthur copper mine (43-101 resource of 700,000 pounds of oxide copper at surface and open),
- 3) an option on the adjacent Yerington copper mine from Cerberus,
- 4) Duke Island (PGM potential),
- 5) Herbert Glacier (100,000 ounces of gold historical resource),
- 6) West Texas Moly (200,000 pounds molybdenum in a Union Carbide historical resource),
- 7) Arizona Strip uranium and Tidwell basin uranium discoveries.

And

- 8) Nieves in Mexico (43-101 25 to 30 million ounces of silver on 1/3 of 1 of 7 vein systems.

Dr. Patton and his team have proven that they can acquire the best properties available, build a portfolio of properties that are world class and thereby diversify the global metal cycle.

Quaterra is not only a holding company. The company has spent ~\$25 million developing these properties. The result is that the company's pipeline is now poised for value creation. **According to Dr Patton the company will now focus on its MacArthur / Yerington copper properties and the Nieves silver. They are closest to production.**

Dr. Patton feels that the **Yerington district** has the potential for 50 billion pounds of copper. The potential for consolidation is clearly there. MacArthur's oxide copper bonanza could be mined within 2 to 3 years. Yerington brings with it the Bear deposit with several hundred million tons of Anaconda's historical copper resource.

The Nieves property has the potential, in my opinion, for 100 million ounces of silver either in high grade underground or low grade open pit mines. Much more drilling will be required to place this much in the resource category, but most observers believe that Nieves has come of age.

The encouraging point of last week's meetings with the Street was that there was a great deal of interest in QMM's MacArthur copper and the Nieves silver resources. Quaterra is now getting very close to the third stage³ of its life cycle, Monetization of its asset base. Whether this comes through joint ventures, spin offs or asset sales, we are encouraged that this fundamentally different mining business model is working. You have not seen its impact in the price of the shares yet. However if the CRX index (see MN 2 above) is any indicator and Quaterra moves decisively into phase three (monetization) we think the light will go on for the Street and QMM's shares may go bid.

I own shares in QMM and have never sold a share.

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³ The three stages of the company as defined in last weeks meetings are Accumulation of Properties (which is ongoing), Exploration and Development and Monetization.

investments that are not registered in the U.S. Dr. Berry has been awarded 10,000 stock options exercisable at \$7.50 from Senesco Technologies. He has been awarded 100,000 options of Derek Oil and Gas exercisable at C\$.47, Valcent Products (300,000 options), Global Green Solutions (400,000 options) and War Eagle Mining. He owns shares and in Goldcorp, Senesco Technologies, DataMeg, Immtech International, Horseshoe Gold, Derek Oil and Gas, Terraco Gold, US Silver, Neuralstem, Piedmont Mining, MegaWest Energy, Valcent Products, CGX Energy, MacMillan Gold and Quaterra Resources. He has been awarded 250,000 options on Terraco Gold exercisable at C\$.50 for 5 years, for services as a financial advisor. In his role as advisor he has been awarded 75,000 options from Polymet which strike at C\$2.76. 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.