

Today's Notes:

1. Quaterra Resources

1. QUATERRA AND FREEPORT MCMORAN

"We are delighted that Freeport-McMoRan Exploration Corporation will continue to explore for high-grade porphyry copper mineralization at Tintic,"

Thomas Patton, Quaterra President and CEO

Good news for Quaterra (QMM) shareholders this AM. The company has reported that Freeport McMoran, the world's largest copper producer, has decided to exercise its option to move forward exploring QMM's Southwest Tintic property located about 60 miles south of Salt Lake City.

The Tintic: A World Class District



The Bingham Copper mine pictured (2005) has been in production since 1906, and has resulted in the creation of a pit over 0.75 miles (1.2 km) deep, 2.5 miles (4 km) wide, and covering 1,900 acres (7.7 km²). According to Kennecott, it is the world's largest man-made excavation.

Near the Quaterra property, Utah hosts one of the most productive and profitable mines in the world, the Bingham Canyon Open Pit Mine (called the Bingham Pit) 28 miles southwest of Salt Lake City. In 2006 Bingham produced \$1.8 trillion in metals value, a vital resource for our country. It has yielded copper, molybdenum, gold and silver continuously since 1906 (discovered in 1863). In 2007 the mine employed 1,839 people (average salary \$82,000) and contributed \$518 million to the local economy. According to owner Kennecott, in 2007 those 1,839 directly employed persons contributed to creating 12,060 jobs and sustaining 6,200 households in Utah. Kennecott contributed \$715 million in direct spending.¹

In the context of **Discovery Investing**, Bingham is our best case study of a world class discovery asset. It represents the **Holy Grail of Discovery Investing**. God did not make many – but when He made this world He tended to group ore bodies together. CEO Tom Patton worked the Tintic when he was Chief Exploration Geologist for Kennecott and

¹ Kennecott web site reference

lived in Salt Lake City in the 1980s and 90s. He recognized the value of the adjacent land, the Southwest Tintic which he acquired 100% for Quaterra in 2007.

Quaterra's Business Model: Three Stages to Shareholder Monetization

Stage One:

Patton developed the QMM business model as a three-stage pipeline. Recognized as the best mining property acquirer in the industry, CEO Patton has been busy building a portfolio of top draft picks. His view of the world today is that when this global economy recovers you will not be able to find these properties. He has a powerful trap line of industry acquaintances that offer him properties for analysis. He has purposely diversified his exploration portfolio across metals (copper, platinum, gold, molybdenum and silver). The properties are located in the US and Mexico. The Mexican properties include 900 square miles of prospective properties, several within miles of Dr. Patton's 2006 world class polymetallic discovery at Peñasquito, now owned by Goldcorp.

Stage Two:

Quaterra has spent close to \$35 million in stage 2 of its business model, most going into the ground. Last year two 43-101 resource estimates were completed indicating resource of 30 million ounces of silver in Mexico and slightly less than 1 billion pounds of oxide copper at its MacArthur's open pit near Reno. We think these resources are just the beginning of much larger wealth creation potential.



Quaterra has been on a long slide since the commodity downturn last July. It now appears to have bottomed.

In short, Quaterra has been in the penalty box for the past year. The Freeport deal is the first catalyst in my view.

Stage Three:

Stage 3 of the QMM business model involves monetization of the assets. This has already begun. The Freeport McMoran (FCX) 70%/30% carry to bankable feasibility on the Southwest Tintic property is the first of this monetization process. FCX announced yesterday that it will proceed with the exploration. I assume they will drill the property

in the near future. Personally I think the main challenge for Quaterra will be communicating this three stage business model to its shareholding and non-shareholding publics. It is a non-traditional mining model for a junior exploration company. The important point to remember is that in spite of QMM's large portfolio the monetization for Quaterra is just beginning. I expect more to come.

The South West Tintic and FCX

This AM Quaterra's CEO Tom Patton released the following:

“Quaterra Resources Inc. (“Quaterra”) today announced it has received notification from Freeport-McMoRan Exploration Corporation of Phoenix, Arizona (“FMEC”), that it will extend its earn-in option at the Company’s Southwest Tintic copper project in Utah. The notice commits FMEC to make a US\$275,000 property payment and 2009 claim maintenance fees on behalf of the Company. FMEC has an option to earn a 70 per cent interest by making staged payments totaling US\$4.725 million over a four year period, including a minimum expenditure of US\$750,000 by August 29, 2010.

FMEC recently completed a seven-line, 37.2 kilometer magnetotelluric/induced polarization (MT/IP) ground geophysical survey at the Tintic property. The survey was performed by Quantec Geophysical Limited using its Titan 24 deep penetrating geophysical system.”

This means that FCX has found a target, through geophysical analysis, worth drilling. FCX is the world's largest copper (second largest Molybdenum) producer. They look for world class ore bodies like the Bingham Pit, less than 50 miles distant. FCX appears to be ready to drill the new target. As I read the release, there appear to be two targets in the Southwest Tintic. First, the Treasure Hill mine area. Second, 4 miles to the south on Quaterra's properties, a copper porphyry system was discovered by Bear Creek in the 1970s. The FCX interest may be an entirely new target. In its 2007 property acquisition update relative to the Southwest Tintic plans Quaterra said,

“Targets include an additional porphyry copper target in the Treasure Hill area; shallower or higher grade mineralization within the Southwest Tintic deposit; and high-grade high-sulfidation silver-copper veins.”

We need more data to determine if, in fact, the new Freeport target is one of these. The Bear Creek target was discovered with 6 holes and estimated at 400 million tons of historical copper (.33%), gold .002 OPT), molybdenum (.01%) and silver resource. It will indeed be interesting to observe the FCX drill program as it moves forward. The properties are controlled 100% by Quaterra (now 70/30 carry to bankable feasibility should the drill confirm FCX's expectations). There are approximately 3,000 acres in the land package. **1,511 patented acres** are exempt from federal government legislation and located 4 miles from the Tintic's prolific historical silver producers.

Please stay tuned, 2010 should be a very exciting year on Utah's Tintic for Quaterra.

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