

**Today's Notes:**

- 1. Quaterra's Nieves**
- 2. Resource Nationalism Rears its Ugly Head**

**1. Quaterra's Nieves**

This AM Quaterra Resources made a significant announcement regarding its 50% owned Nieves property. CEO Tom Patton discussed the results of the final 16 holes of a 29 hole 6,118 meter drilling program. The purpose of these campaigns was to infill a small portion (200 meters) of the 1,000 meter hanging wall silver stockwork vein discovery on the Concordia / Gregorio vein system. This is one of Nieves' three major veins comprising 7 minor vein systems.

Dr. Patton said,

*“Every hole we have drilled in the La Quinta stockwork zone so far has been mineralized ...The extensive and consistent silver values have given us the confidence to expedite metallurgical testing and to explore the possibility of open pit mining.”*

Perhaps most important is Dr. Patton's plan of action. In this release he has laid out the progression of events to occur in the next 8 weeks that will occur to determine if the discovery is amenable to open pit mining. Clearly management thinks this is a real possibility.

During the next two months, the following activities will be completed:

- 1) Induced Polarization (IP) Survey. Work will begin within two weeks to delineate the extent of the stockwork zone to the east and west.
- 2) Preliminary metallurgical tests. Work will include flotation testing, ore hardness and bulk mineralogical analysis.
- 3) Resource estimate. An updated NI43-101 report incorporating the new drill hole data will be completed by Caracle Creek International Consulting Inc.

Based on this release, it would seem that Quaterra / BlackBerry is on the way to a potential open pit mine at Nieves. There are at least four positive factors here. First, we think silver has significant price upside. Just yesterday Ted Butler suggested in his valuable commentary that the current withdrawals from the silver ETF may be incredibly bullish for silver. Second, we estimate that less than 10% to 20% of the Nieves property has been explored – for example only 1/5<sup>th</sup> of the Concordia's known mineralization has been infill drilled. Third, there is significant high grade silver (and Nieves appears primarily a silver mine) in addition to this stockwork discovery that makes early cash flow from open pit potential possible. Finally the infrastructure is in place at Nieves, roads, smelter, power and water.

There are almost certainly many more silver discoveries just as there were at Penasquito. Having the chance to get into open pit production at Nieves would ensure that possibility. Of course we will not know grade and tonnage potential till Caracle Creek opines (a 43-101) and the results of the planned IP tests are known. It certainly would not be a surprise, given the recent history of Quaterra's transactions with the major mining companies, that one or more silver mining companies could be interested in Nieves - particularly at this stage of development. It is gratifying to see Quaterra progressing so much closer toward production at Nieves.

**TECHNICALLY IT LOOKS LIKE QUATERRA'S SHARES ARE WAITING TO BREAKOUT. SEE THE PENNANT IN THE FOLLOWING GRAPH.**



**2. Resource Nationalism**

A great deal is happening in the commodity space. We are still convinced that a great secular commodity bull market is underway for at least two reasons. First, emerging countries such as China and India are continuing to build stock. This is partly a result of the unstoppable quality of life cycle we have written on so often in the past 6 years. It is also, in part, due to the need to exchange U.S. dollars for goods. Perhaps now a much more poignant issue is surfacing. That is the issue of resource nationalism which serves as verification from the commodity suppliers that the QOL cycle is real.

Yesterday the French nuclear company Areva announced that it would raise Euro 3 billion, much of it from Asian and Middle Eastern investors for the first time. This will include Sovereign funds from Qatar and Kuwait as well as its Japanese partner Mitsubishi. The FT also reports that Saudi Arabia will make nuclear energy an important component of its energy plans. Jordan will very likely hire Areva to build its first reactors as well.

Nuclear energy is back big time everywhere in the world – except ... . Where will the fuel come from? The great commodity investment grab is on.

Areva is worried. The FT notes it is

***“keen to diversify away from its reliance on politically unstable Niger, which has supplied more than 40% of its uranium needs.”*** Areva is also invested in Namibia’s uranium legacy.

But Niger and Namibia aside, countries such as Ecuador, Peru, Venezuela and Kyrgyzstan are raising taxes or making development difficult in their countries. Evo Morales, Ecuador’s Marxist leader is raising the ante on oil companies in that country. There are, therefore, two powerful resource winds blowing that will trump the lack of a national resource policy in the U.S.:

- 1) Environmentally friendly resource extraction brings jobs. For example, Areva should be encouraged to mine Arizona’s uranium pipes.
- 2) Resource nationalism will push commodity prices much higher making domestic sources in North America much more valuable and our national debt and deficits much higher if we continue to pillage the rest of the world’s resource legacy.

We have most of the necessary resources in North America. Quebec was recently rated the number 1 mining jurisdiction in the world. Nevada was ranked number 5 and Ontario was rated 22<sup>nd</sup>. We think Canada’s Saskatchewan is on the verge of an increased interest in its many resources and stands to benefit significantly.

The bottom line is that the trend toward more resource nationalism everywhere is on the increase. Your investment horizon must include a significant weighting of discovery companies engaged in this sector.