

Today's Notes:

- 1. Mineral Policy Blunders in The US**
- 2. Revett Minerals**

1. Policy Blunders by Washington Cognoscenti

Yesterday I received an email from one of the most prominent and successful geologists in the US. He has just returned from Mexico where he and his partner had made several world class mineral discoveries over the years. His initial survey of the conditions for exploration and development of US resources follows. It is this sort of myopia by Washington that has placed the United States in a precarious position relative to its access to industrial and strategic materials. I also include a quote from the current USGS web site in which they note that,

"In 2009, the supply for more than one-half of U.S. apparent consumption of 38 mineral commodities came from imports, and the United States was 100% import reliant for 19 of those. U.S. import dependence has grown significantly during the past 30 years. In 1978, the United States was 100% import dependent for 7 mineral commodities, and more than 50% import dependent for 25 mineral commodities."

Email content contributed:

"We spent the last few days working in California and Arizona. We met with the Bureau of Land Management (BLM) in Needles Ca. and Kingman Az. The total lack of common sense by those who regulate our industry is appalling. It is very clear (BLM geologists exempted) that the regulators hate our industry and do not want us to work in their area of influence. For the most part the Mohave Desert is covered by wilderness, Areas of Critical Environmental Concern (ACEC), military bases, green energy applications, and Senator Feinstein's new Route 66 historic highway designations. Anything that can be viewed from the highway is off limits (editor: for mineral exploration)!

Even more alarming is Interior Secretary Salazar's directive of December 2010 to reevaluate 220,000,000 acres of BLM land again for wilderness consideration. It is our opinion that most of the wilderness areas were designated to keep mining and off roaders out and are not anything special.

It would be very interesting to take some Congressmen to visit many of the Mohave wilderness areas and have the BLM justify why minerals exploration and development should be excluded. In my opinion, in most instances there is nothing unique about the areas. The BLM and other regulators should be willing to work with the industry and implement common sense solutions to the environmental and social issues related to responsible resource development.

Common sense is absent in the regulatory agencies. It is becoming more apparent that the USA has no long term critical and strategic materials policy and will instead go from one knee jerk response to crisis to the next. It is also apparent that that very few understand the impact that the loss of the USBM and the change of focus for the USGS will have on our future resource availability and no one seems to care.

It is also discouraging that the regulatory industry and our state and federal governments misunderstand the fundamental concept that exploration is required to make discovery and you have to make discovery before you can have production. They also have no concept about the job creation and economic impact that new discoveries and responsible mineral developments can have on our local, state and national economies.

It is almost as though these folks think commodities and their QAL just appear out of thin air. In the short time since we have returned to work in the USA it has become very apparent that most of the active exploration projects are ones that were discovered in the 1960's and 70's. The lack of new grassroots exploration discoveries in the USA is alarming and very few seem to care! Perhaps some of your friends in Congress would be interested in working towards a long term resource policy now that the REE issues have made the news. It is very clear that my elected state and federal representatives have no interest in speaking with me about these issues. They do not seem to care enough to learn about our fragile resource situation we now find our country in."

To which we now add the following material taken directly from the most recent USGS web site (www.usgs.gov). The US Geological Survey is a research arm of the Federal Government:

“... page 6 illustrates the reliance of the United States on foreign sources for raw and processed mineral materials. In 2009, the supply for more than one-half of U.S. apparent consumption of 38 mineral commodities came from imports, and the United States was 100% import reliant for 19 of those.

U.S. import dependence has grown significantly during the past 30 years. In 1978, the United States was 100% import dependent for 7 mineral commodities, and more than 50% import dependent for 25 mineral commodities.

In 2009, the United States was a net exporter of 20 mineral commodities, meaning more of those domestically produced mineral commodities were exported than imported. That figure has remained relatively stable, with net exports of 18 mineral commodities in 1978.

In fiscal year 2009, the Defense Logistics Agency (DLA) sold \$81 million of excess mineral materials from the National Defense Stockpile (NDS). Additional detailed information can be found in the “Government Stockpile” sections in the mineral commodity reports that follow. Under the authority of the Defense Production Act of 1950, the U.S. Geological Survey advises the DLA on acquisition and disposals of NDS mineral materials. At the end of the fiscal year, mineral materials valued at \$1.23 billion remained in the stockpile.

In August 2008, the Defense National Stockpile Center had announced plans to suspend competitive commercial offerings of six commodities and reduce the sale quantities of nine additional commodities for the remainder of fiscal year 2008.

During fiscal year 2009, sales of iridium, niobium metal ingot, platinum, tantalum carbide powder, tin, and zinc remained suspended.”

I want to make two points here. First, we have entered an era of accelerating global resource nationalism. Rare Earth mania is screaming loudly. In 1941, a few decades ago, Japan attacked the US as a result of US embargoes on exports of steel and oil.

Those who forget the past

Just yesterday Colombia announced that all new mining license approvals would be held in abeyance till June. 16,000 applications are in the queue. China, of course, has been vocal about her intention to restrict natural resource exports and her ultimate status as a net importer of many minerals (molybdenum, tungsten, antimony to name a few) in addition to rare earth elements. Second, of course, US supply chain development ultimately suffers and with it the development of intellectual property necessary for maintenance advancement of our quality of life as well as hi tech jobs.

The most current case study of this IP necrosis is the very rapid ascendance of China's rare earth supply chain dominance from 1980 to today, completely eclipsing REE production in the United States. This occurrence is not a one-off even though leaders in Washington (see my article on, Rare Earth Religion) think it applies only to rare earth supply chains. Let's be factual. It requires decades to build a new supply chain and the high quality jobs that go with it.

If you agree with these sentiments you need to be vocal with your Congressional Representatives.

2. Revett Minerals

An excellent summary of the silver / copper production and potential for Revett Minerals was released by the company, yesterday. The company provided a year end summary of production and reserves. A few details:

- Net cash ⁽⁴⁾ provided from operations before capital expenditures was \$12.2 million;
- Record mill throughput with 1.3 million tons processed. Averaging 3,807 stpd for 2010 as compared to 3,725 stpd in 2009;
- Completion of the 3,000 ft. decline to access the higher grade C Bed area;
- **Extended the mine life of Troy to a total of seven years with the addition of 4 million tons of mineable reserves in the I Beds; and**
- Continued exploration efforts focusing on I Bed target areas beneath and adjacent to the existing mine infrastructure.

For 2011 the company estimates production of 1.3 million ounces of silver and 11.0 million pounds of copper. 2011 production costs on a net of by-product basis are expected to be \$3.32 per ounce of silver and \$1.48 per pound of copper and on a co-product basis costs are estimated to be \$10.39 per ounce of silver and \$2.08 per pound of copper. Silver is trading over \$30+ per ounce as I write and copper slightly over \$4.50 per pound. With production costs as listed above (either by-product of co-product) the company will show stronger cash flows.

In 2010 the company recovered 1,008,089 million ounces of silver and 8,793,790 pounds of copper from the Troy mine. Grades and recoveries should increase in 2011. Net cash from operations in 2010 was \$12.2 million. With a restructured balance sheet and a future listing on the NYSE AMEX we think the company is positioned well for more discovery wealth creation.

Then there is the massive wealth creation potential of potential of Rock Creek and the ongoing cash flow to sustain the company. I own shares in Revett Minerals.



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