

Today's Note:

1. Montana MOJO: Revett

This Morning Note reports a significant announcement from Revett Minerals. The company reported its third-quarter 2010 financial and operating results yesterday. These included the quarter ending September 30, 2010. Once again the company has performed very well improving in every category. This should not be surprising. During Q3 both copper and silver performed exceedingly well. As you can see copper appreciated 28% while silver appreciated 22% from \$18 to \$22.



After several months of consolidation silver broke out on August 24. It rose steadily for the next five weeks through September 30 to close at \$22 an ounce. Since that time silver has risen from \$22 on October 1 to its present trading level of \$25.47 an additional 12% gain. Clearly silver needs to take a break and that correction is happening as I write.

Copper traded around \$3 dollars for early 2010. In July it broke out to new highs of \$3.72 by 9/30.



During the quarter Revett Minerals recorded total sales of \$12.4 million, a 53% increase over the same period in 2009. This performance provided ~ \$4 million in cash from operations to the company. The company reported a net income of \$2.1 million.

The production numbers were also interesting. The company maintained higher throughput rates of 3,914 tons each day during the third quarter which was a 16% increase over the same period in 2009. They produced 277,437 ounces silver and 2,347,643 pounds of copper, significant increases (11% and 22% respectively) over the third quarter of 2009. Total revenue of \$12.4 million increased from \$8.1 million from the third quarter of 2009.



I am also optimistic because Revett mined down to their "C Bed" deposit in this quarter. The C Bed level hosts higher grade silver and copper (1.6 oz. / T silver, .56% copper). Therefore performance in the 2011 and 2012 should improve considerably.

Revett won't be finished mining the higher grade (25% improvement) C Bed's for at least two years, so they are actively exploring and defining a second ore body called the I Bed. The I Bed is only part of the JF system, a large tonnage, strata-bound deposit that may stretch for 3 to 4 miles to the north. Development of this will provide a major expansion which will give Revett longer-term production capability at its Troy mine. Preliminary estimates suggest that the I Bed section alone may contain 15 million oz. of silver and 90 million pounds of copper. The company will initiate a scoping study on the I Beds in the first quarter of 2011 and plans on a resource estimate in 2011. Based on drilling the JF, grades are decent (1.4 oz. silver, .4% copper) and tonnage excellent. Management thinks this expansion could take production at Troy through 2025 to 2030. This means a profitable, debt-free company flowing cash from silver and copper concentrate production, some of the best concentrates in the country, for the next 12 to 15 years. The JF ore body will almost surely lengthen the life of production at the Troy mine significantly.

We think copper and silver are very good minerals for Revett to be producing and we see Revett having a longer lifetime of production solely through extension and expansion of its existing Troy mine.

The company goes into 2011 with positive cash flow and zero debt on its books. This is a swift, one-year turnaround from last year when the company was struggling to stay alive. The Troy mine itself supplies about 178 jobs directly and perhaps an additional 100 jobs in the local area of northwest Montana. It is, therefore, a significant employer in the region. We cannot underestimate the importance jobs in this era of high national and regional unemployment.

In yesterday's release CEO John Shanahan said,

"We are very pleased with our metal production and profitability during the third quarter. The most important milestone of the quarter, however, was the completion of the decline into the C Bed ore zone as this area ramps up to its planned production rate over the next couple of quarters we should see a very nice improvement in our head grades. We are also very encouraged by potential of the extensive I Bed horizon at Troy, including the JF deposit and have begun an aggressive exploration and engineering effort to analyze the feasibility of not only extending significantly the mine life, but also potentially better utilizing current mill capacity. The positive results of the third quarter along with the current strong market prices for silver and copper and the repayment conversion of our corporate, places us in a strong position for continued growth and development."

We believe that in the next 5 years the Troy mine alone will continue to drive Revett's revenues, profits and cash flows based upon high prices of silver and copper. There are two additional, intangible factors that make Revett a compelling buy.

1. A management team led by CEO John Shanahan and Chairman Tim Lindsey have effectively stabilized and turned the company around ridding it of its debt-load, hedging its operating costs, defining new resources and making it profitable.
2. We believe that Revett's huge Rock Creek resource, while still in question due to environmental opposition, has a good chance to be approved and put into production within the next 5 years. The company has met all the requirements that the courts and environmentalists have defined. Revett is strongly supported by the state of Montana in its efforts to put Rock Creek into production. The resource at Rock Creek is drilled out and consists of 250 million ounces of silver and 2 billion pounds of copper. It is the same geology as that of the Troy mine 25 miles north and west of Rock Creek.

We view the 100% owned assets at Rock Creek as a "call option" for Revett shareholders on the value of the copper and silver resources contained therein. In other words there is no value currently discounted into Revett's shares from its ownership of Rock Creek.

With experienced mining management in place at Troy, and the likelihood (in our opinion) that Rock Creek will be approved, we think Revett will eventually make the radar screen of a much larger silver mining company. We believe Revett management should now consider a listing on the AMEX / NYSE. This would significantly increase its visibility to US institutions.

Of Note: Revett estimates 2010 production will be 1.2 million ounces of silver and 10 million pounds of copper. At current prices these minerals have a value of ~\$67 million.

On November 9 the shares peaked at \$.74 intraday. They have since fallen to \$.64. We think they are a value proposition and that perhaps they will decline further in this correction. If so you will have an excellent entry point.

I own shares in Revett and have, in the past, served as an advisor to the company. I reserve the right to purchase more shares.

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