

Today's Notes:

1. **Revett Minerals**
2. **Gold**

1. REVETT MINERALS: SIGNIFICANT FREE CASH FLOW AT \$.23?

Yesterday Revett Minerals (RVMIF, RVM TSXV) provided an update on its Rock Creek (Montana) project. Rock Creek was drilled out (121 holes, 120,000 feet of core) by Asarco from 1979 to 1983. There is a historical resource, according to the company, of 229 million ounces of silver and 2 billion pounds of copper. There are two very important issues in the Revett story. First, the company is currently mining the Troy deposit on the same silver and copper formations contained in Rock Creek. At \$17 silver and \$3.15 copper they are making money. The press release indicates that RVM expects to produce 1.2 million ounces of silver and 10 million pounds of copper from Troy in 2010. There is an operating mill at Troy from which the concentrate is highly sought. The company expects significant cash flows in 2010 and for the next 6 years from the Troy deposit. I visited the Troy complex in August. I expect that the life of the Troy mine could be extended to 10 to 12 years. There is additional exploration potential at Troy.

RECORD OF DECISION GRANTED TO REVETT

What most investors do not realize is that Revett received a Record of Decision based on the Final Environmental Impact Statement from the U.S. Fish & Wildlife Service. This means that Revett can begin, with due notice, to develop the Rock Creek mine. Recognize that there has been significant push back from national and local environmental lobbies. They purchased several hundred acres of real estate that will be dedicated to protected habitat. Management is serious in complying with the environmental lobby.

ROCK CREEK

Once in operation Rock Creek will be an underground mine with few contaminants. The ore is hosted entirely in silica. The first ten years of production at Rock Creek will be high grade ore. The mine is expected to produce 6 million ounces of silver per year and 52 million pounds of copper over its 20 year life. This is "world class" in my Discovery Investing Model. We think this current and third environmental challenge will be the last challenge.

The Governor of Montana has openly expressed his support for the development of Rock Creek. Once Rock Creek is up and running Revett will have upwards of 500 people employed in North West Montana. So let's recap:

- 1) RVM is producing copper /silver cons at Troy with a positive cash flow today.
- 2) RVM expects to produce 1.2 million ounces of silver and 10 million pounds copper next year with a high quality concentrate much sought after by refiners around the world.

- 3) RVM is fully permitted to develop Rock Creek with 229 million ounces of silver and 2 billion pounds of copper (the in situ value of Rock Creek's historical resource at today's metal prices is approximately \$9.7 billion.)
- 4) Revett has cleared up many of the previous troubles it had experienced.
- 5) New CEO John Shanahan and new Board Chairman Tim Lindsay are building a track record of success.
- 6) The shares are selling for \$.23.

Here's what Chairman of the Board Tim Lindsay, a native of Montana, had to say about the future of Revett and Rock Creek,

“As a native of the Troy area and an industry professional, I am impressed by the body of diligent and balanced work that has been completed by the agencies and by our company to obtain and defend the Rock Creek permits. We remain mindful of our responsibilities as an employer in the region, and our responsibilities to the environment and communities in which we live and operate. Rock Creek is a significant silver/copper deposit and the proposed operations will employ 300 people contributing significantly to the local and regional economies. Revett is committed to responsible development and stewardship.”

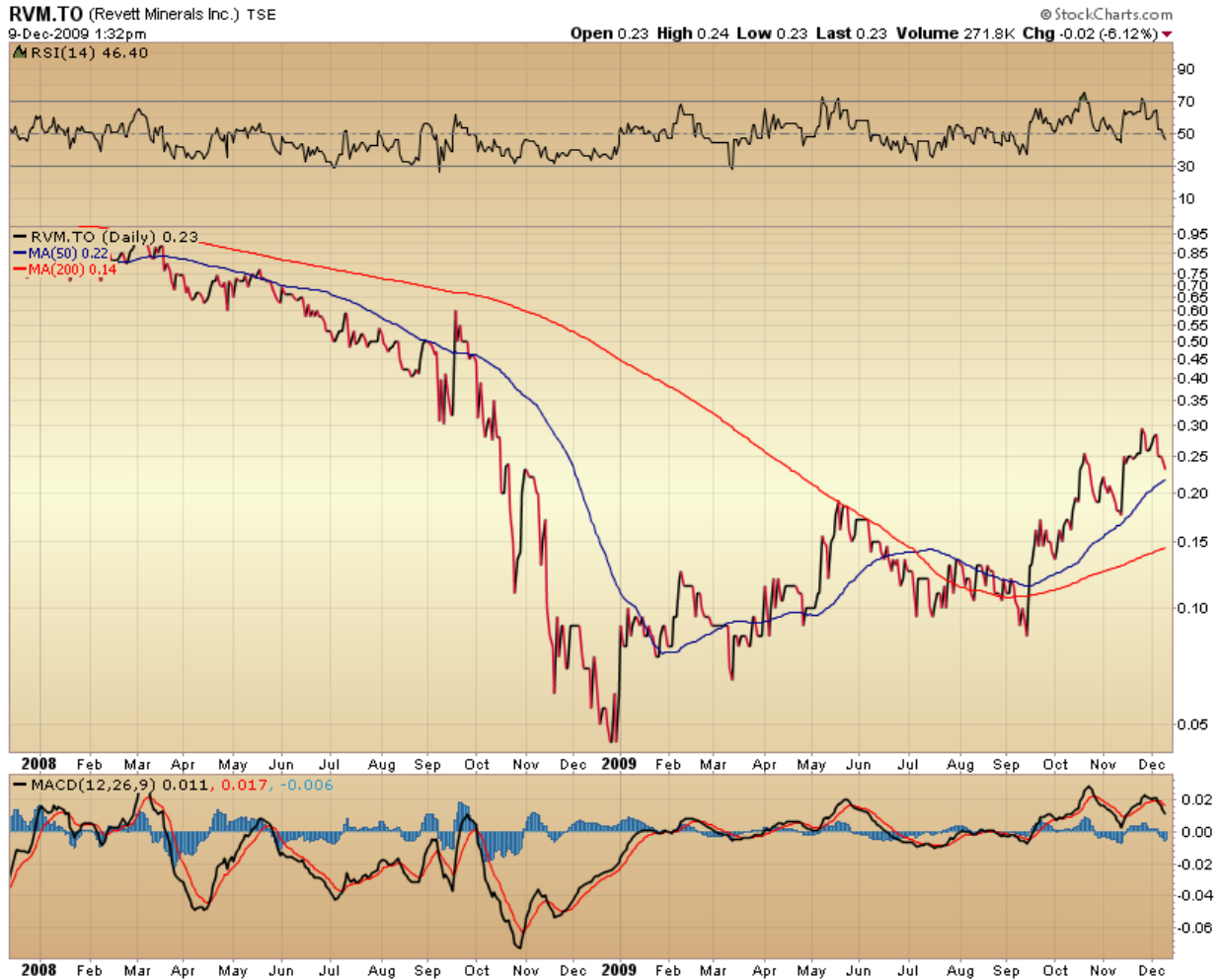
We think this is well said. As always you must perform your own due diligence. There are still environmental barriers and other issues that could stall development of Rock Creek. Nevertheless in terms of the risk / reward tradeoff, we think Revett is a great contrarian play. The management of Quaterra Resources must think so as well. This experienced exploration and development team has recently signed a Memo of Understanding to move forward on the possibility of a relationship in the area. Please remember there are only a very few world class deposits to be had in the world – let alone North America. Rock Creek certainly appears to be one. The US will need these resources. I am an advisor to Revett.

ROCK CREEK: Resources in Millions

Rock Creek Resources (Dec. 31, 2008)					
		Grades		Contained Metals	
Location/ Classification(1)	Tons (Mst)(2)	Silver (opt)	Copper (%)	Silver (M oz)	Copper (M lbs)
Chicago	78	1.45	0.65%	113	1,025
St. Paul	48	2.10	0.92%	101	883
Moran	10	1.50	0.57%	15	114
Total Inferred	137	1.67	0.72%	229	2,022

1.) Mineral Resources have been categorized in accordance with the Classifications defined by the CIMM.

2.) The estimated mineral resources are based upon a technical report (the "Rock Creek Report") dated May 7, 2004, amended as of January 27, 2005, prepared by SRK Consulting, Toronto in accordance with NI 43-101. They use a cut-off grade of US\$ 10.00 net smelter return per ton.



2. REVERSING THE DOLLAR CARRY TRADE: REDUX (TUES. DEC. 8)

Once again yesterday the dollar soared against all comers. Have a look at the movement of the US currency by 10 AM. It looks eerily reminiscent of the summer and fall of 2008 when the dollar soared and commodities swooned. In that go round there was a liquidation which very nearly spawned a 30s-style global depression. Beginning last Friday with “cooked” unemployment numbers the dollar soared. This broke the back of gold and silver. Monday only a speech by Ben Bernanke turned that day around for gold. Yesterday gold swooned another \$33. Today it is again down about \$7.

Currency	Chg% X=1\$USD	NY Time	X= 1\$USD	X\$USD =1	Gold Price/oz	Gold Chg	Gold Chg%
<u>US Dollar</u>	--	12/08-09:57	--	--	1146.30	-11.30 ▼	-0.98%
<u>Australian Dollar</u>	-0.66%	12/08-09:50	1.1021	0.9074	1263.17	-4.23 ▼	-0.33%
<u>Brazilian Real</u>	-0.92%	12/08-09:57	1.7450	0.5731	2000.12	-1.49 ▼	-0.07%
<u>British Pound</u>	-0.90%	12/08-09:56	0.6139	1.6291	703.59	-0.63 ▼	-0.09%
<u>Canadian Dollar</u>	-0.78%	12/08-09:57	1.0603	0.9431	1215.32	-2.54 ▼	-0.21%
<u>Chinese Yuan</u>	+0.04%	12/08-05:04	6.8226	0.1466	7820.75	-79.87 ▼	-1.01%
<u>Euro</u>	-0.44%	12/08-09:56	0.6772	1.4767	776.21	-4.25 ▼	-0.54%
<u>Hong Kong Dollar</u>	-0.12%	12/08-09:57	7.7549	0.1290	8888.61	-77.81 ▼	-0.87%
<u>Indian Rupee</u>	-0.31%	12/08-06:51	46.6100	0.0215	53424.38	-363.50 ▼	-0.68%
<u>Japanese Yen</u>	+1.06%	12/08-09:57	88.4400	0.0113	101369.93	-2107.94 ▼	-2.04%
<u>Mexican Pesos</u>	-1.10%	12/08-09:57	12.8219	0.0780	14696.40	+15.14 ▲	+0.10%
<u>Russian Ruble</u>	-2.13%	12/08-09:51	30.5585	0.0327	35026.15	+389.60 ▲	+1.12%
<u>S.African Rand</u>	-0.80%	12/08-09:57	7.5175	0.1330	8616.56	-16.24 ▼	-0.19%
<u>Swiss Franc</u>	-0.40%	12/08-09:56	1.0239	0.9767	1173.54	-6.93 ▼	-0.59%

Gold is now entering a very healthy pullback. The yellow metal has now lost almost \$100 (~8%) and silver has fallen 12%. You can see where support must kick in for gold in the following diagram.



Both gold and silver are very likely to become buying opportunities. Many of you have emailed or called to ask is this the beginning of another meltdown. I do not think so! Gold was overbought. The dollar today is mixed. It is higher against the British Pound, Swiss Franc and S.A. Rand but lower against the Euro, the Ruble, the Loonie and the Yen. The bull market for gold is still intact.

We have heard numerous commentators suggest that because of this decline gold is not a safe asset yet over the past ten years gold has outperformed most markets.

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