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July 2011

INSIDE...

The Rise of the Barter Economy

By Peter Schiff
Euro Pacific Precious Metals

Imagine a day when you go to buy a quart of milk, ask the price, and the cashier says, "that'll be a tenth ounce silver." As the US dollar's decline accelerates, several efforts around the country are trying to make this vision a reality.

Historically, paying for items in silver or gold was actually quite common. We happen to live in an unusual time and place where generations have grown up trading exclusively in paper. While my parents still used dimes made of silver, we have now gone several decades with no precious metals in any of our official coinage. But this system of money by government fiat is unsustainable.

While the practice of bartering precious metals directly for goods and services has continued on a small-scale over the last few decades, the 2000s saw the beginning of organized efforts to revive gold and silver as money.

The Liberty Dollar

One such effort was spearheaded by an eccentric mintmaster from Hawaii named Bernard Von Nothaus. He called his project the Liberty Dollar, and it centered on privately minted gold and silver rounds as well as deposit certificates for precious metals held in his firm's vaults.

I had many reservations about how the project was implemented – coins were minted with a fixed US dollar amount at which they were supposed to circulate, the dollar amount was well above the spot price of the metal, and authorized "distributors" were allowed to pocket the difference (which often resulted in buyers paying far higher prices for their gold than what they would have paid had they simply bought, say, Canadian Maple Leafs instead) – but I believe Nothaus' idea was a good one, even if the product was over-priced. Tellingly, despite the obvious flaws, public participation grew steadily from 1998 until 2007, when federal agents raided the Liberty Dollar's offices on trumped-up charges of counterfeiting.

Really, they were charging him with *competing* with the US dollar's monopoly privileges by offering a better product. It's important to note that the case against Nothaus was built around his coins looking similar to official US coinage (though no one actually mistook Liberty Dollars for US currency), and not around encouraging people to use precious metals as circulating money.

Digital Gold

Next came a crop of Internet-based currencies backed by gold and silver. Most prominent among them are eGold and GoldMoney. Both were designed to allow customers to open online accounts that were valued in, and backed by, gold and silver bullion.

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Platinum 2011

The Platinum Market was Close to Balance in 2010

In line with global economic recovery in 2010, gross demand for platinum increased by 16% to 7.88 million ounces, according to Johnson Matthey in *"Platinum 2011"*. Global supplies of platinum increased by 0.6% to 6.06 million ounces, while recycling of platinum rose by almost a third to 1.84 million ounces. Resurgent growth in the automotive and industrial sectors was responsible for the platinum market being close to balance, with a surplus of only 20,000 ounces, compared with a surplus of 635,000 ounces in 2009.

Supplies of Platinum Rose Slightly In 2010

Global supplies of platinum increased by just 35,000 ounces to 6.06 million ounces in 2010 after a mixed year for producers. Although refined production in South Africa rose in 2010, not all of this metal was shipped by the year-end, leading to sales of platinum from South Africa remaining flat at 4.64 million ounces. Russian platinum shipments climbed by 5% to 825,000 ounces. Supplies from Zimbabwe grew by almost a quarter to 280,000 ounces following a ramp-up of expansion projects in the country.

Platinum Demand Surged as the Auto Industry Recovered

Demand for platinum in autocatalysts rose by 43% to 3.13 million ounces as the global automotive sector bounced back from a poor 2009. Purchasing of platinum for use in automotive emissions control increased in all regions as vehicle production rose. The largest increase in platinum demand was in Europe, where it is mainly used in diesel autocatalyst formulations. Better economic conditions helped raise purchases of fleet vehicles, which tend to be diesels, and the end of national car scrappage schemes meant diesels recaptured market share.

Industrial Demand for Platinum Climbed Sharply

Gross industrial demand for platinum jumped by 48% to 1.69 million ounces in 2010. Economic recovery in developed markets, and strong growth in emerging ones, drove higher levels of production of electrical, glass and chemical products which use platinum either in the finished item or in the manufacturing process. There was a strong increase in purchases of platinum for the manufacture of LCD glass, used in televisions and electronic displays. Demand for platinum in the chemical industry increased as plants were run at higher capacity to supply the growing needs of India and China.

Platinum Jewellery Demand Declined in 2010

Purchasing of platinum by the jewellery sector fell by 14% to 2.42 million ounces in 2010 following an extremely strong 2009. Demand from the Chinese jewellery sector remained robust, at 1.65 million ounces, but this was significantly below the exceptional level of 2009. A combination of higher metal prices and full stock levels contributed to the decline. However, demand in China was substantially higher than in 2008, the last time platinum's price was at similarly high levels to 2010.

Demand for Platinum Remained Strong

Stimulated by low interest rates and a positive outlook for supply-demand fundamentals, net physical investment demand for platinum remained robust in 2010 at 650,000 ounces, a similar volume to that seen in the previous year. Investors bought heavily into the newly-launched physically-backed platinum exchange traded fund (ETF) in North America. Holdings in the more mature European ETFs declined slightly.

Platinum Forecast to Trade Higher Than in 2010

Growth in automotive and industrial demand is expected to continue and, with limited expansion in supplies, Johnson Matthey forecasts that the price of platinum will average $1,870 per ounce in the next six months, compared with an average of $1,762 during the six months to the end of April 2011. With positive supply–demand fundamentals and continuing global economic growth, platinum could trade as high as $2,000 in the period. If interest rates in key markets remain low, speculative investment interest should also support platinum's price. Although external shocks such as oil price rises or negative sentiment surrounding sovereign debt could once again prove to be a drag on the price, strong physical buying in China is likely to give support during price dips, meaning platinum is unlikely to fall below $1,750.

Record High Demand Moved the Palladium Market Into Deficit in 2010

Gross demand for palladium increased by 23% to reach a record high level of 9.63 million ounces last year. This was mainly due to strong purchasing by the automotive and physical investment sectors. Although supplies of palladium rose last year, and recycling levels increased by almost a third to 1.85 million ounces,the market moved into a fundamental deficit of 490,000 ounces due to the strength of demand.

Supplies of Palladium Rose Slightly in 2010

Global supplies of palladium rose by 190,000 ounces to 7.29 million ounces last year. Supplies of palladium from Russian mining increased by 2% while sales of palladium from Russian state stocks were once again around 1 million ounces.

Gross Demand for Palladium In Autocatalysts Increased by 35%

Higher global production of light duty passenger vehicles, together with tightening emissions legislation in some markets, helped raise demand for palladium by 35% to 5.45 million ounces in 2010. Rapid growth in the light duty sector lifted automotive palladium demand in China by 42% to a new level of 975,000 ounces.

Industrial Purchasing of Palladium Rose Last Year

Gross industrial demand for palladium was 70,000 ounces higher in 2010 at 2.47 million ounces. Use of palladium in the chemical industry rose by 22% as consumer demand for plastics led to significant capacity expansions and greater utilisation of existing facilities. Dental demand for palladium softened but electrical demand increased.

Palladium Jewellery Demand Fell But Physical But Physical Investment Reached Record Levels

Gross palladium demand in the jewellery sector fell by 20% to 620,000 ounces, largely due to a decline in manufacturing of palladium jewellery in China which more than offset an increase in manufacture of palladium jewellery in Europe and North America. Identifiable physical investment demand for palladium grew by 74% to 1.09 million ounces in 2010 with heavy buying into US ETFs. Investment interest was underpinned by positive supply–demand fundamentals for palladium, as well as a rising price and low opportunity cost to investors.

Palladium Forecast to Average $825 in the Next Six Months

Supplies of palladium are expected to decline in 2011 with lower sales from Russian state stocks more than offsetting an increase in output elsewhere. Demand in the automotive and industrial sectors is expected to continue to grow this year and even if there is no repeat of the exceptional levels of physical investment demand for palladium seen in 2010, the palladium market is likely to be in deficit again. Johnson Matthey forecasts that strong fundamentals will continue to support the price at between $715 and $975 over the next six months, with palladium trading on average at $825 in this period, compared with an average of $762 in the six months to the end of April 2011.

Editor's Note: *Platinum 2011* is Johnson Matthey's free market survey of platinum group metals. Johnson Matthey is the world's leading authority on the production, supply and use of platinum group metals. www.platinum.matthey.com.

Aura Silver Could Approach Majority Control of Taviche Silver-Gold Project in Mexico by Fall

Major Drilling Program Scheduled for Greyhound Gold/Silver Property

The current drill program plus additional drilling this summer could well make Aura Silver Resources Inc. (TSX.V: AUU) the majority owner of the Taviche gold-silver project, located in Mexico's highly prospective San Jose Mining District.

As of Dec. 31, 2010, the company held a 43% interest of the Taviche and Alma Delia properties, while joint venture partner Intrepid Mines held 27% and Pan American Silver retained 30%. When the current drilling program is completed, Aura Silver expects to increase its ownership to approximately 47%. When that is combined with a follow-up summer drilling program and the final $250,000 option payment due to Pan American in September, the company anticipates being close to or above 50% ownership in the Mexico properties.

"Aura Silver ultimately has the potential to earn-in to more than 70% of the Taviche project. This higher ownership position is strategically important and provides our shareholders with much greater upside potential," says Aura Silver President and CEO Robert Boaz.

Holding a majority stake in the Taviche project will make Aura Silver a much more attractive takeover prospect for larger mining companies looking for a viable precious metals project in Mexico.

Aura Silver's interest in the Taviche project is increasing as a result of Intrepid's decision not to contribute to funding for drilling and other program costs at Taviche over the last year. Aura Silver became operator of the project in March 2010 and continues to fund all ongoing drilling which continues to dilute Intrepid's position in the project.

"The more we explore our properties, the more we uncover new targets which could develop into generative projects this year" says Boaz.

Aggressive Drilling Programs Underway, Planned on Silver-Gold Concessions in Mexico

The first results from its 2011 drilling program now underway at the Taviche and Alma Delia concessions in Oaxaca, Mexico are expected to be announced within the next month, according to Boaz. Results from this program and from subsequent infill drilling will be used to compile an NI 43-101 compliant resource estimate expected by early fall of 2011.

Aura Silver is continuing to explore a high-grade silver zone discovered at Higo Blanco and targets south and west of Fortuna Silver's San Jose mine. Previous exploration at the Higo Blanco project indicates that the gold zone first discovered in the Mezcal Vein structure continues deeper, with grades increasing at depth. Gold mineralization is spatially associated with the previously reported high-grade silver mineralization. The gold-bearing stock work flanks and caps the silver-bearing silicified limestone breccias. The extension of the shallow (less than 100 metres) gold-silver mineralization to the northwest is also a high priority target, yet to be drill tested.

The West Taviche concession of Aura Silver's property adjoins and surrounds Fortuna's property, land locking the San Jose mine now under pre-production development. Historically, the San Jose Mine produced 19.2 million ounces of silver and 144,000 ounces of gold.

"We believe San Jose's Trinidad deposit may extend onto the northern portion of our West Taviche concession," says Boaz. "Our geologists also believe San Jose's Bonanza Vein may extend onto our property to the south."

A detailed mapping and sampling program is also underway immediately south of San Jose mine property and along the same vein system that hosts the Bonanza and Trinidad ore shoots. The Santa Maria-Donaji area is a broad zone, up to 500 metres wide, of anastamosing quartz veins measuring up to several metres in width. The zone can be traced for over two kilometers into the gold-rich Portillo area where quartz-sulfide vein breccias, sheeted veins and stock work were discovered in 2008. Drill hole assays ranged to 23.6 g/t gold

Aura Silver is drilling on its Taviche and Alma Delia concessions in Oaxaca, Mexico to build data for an NI 43-101 resource estimate.

over 0.85 metres less than 100 metres below the surface. Previous surface sampling in old mine dumps at Portillo returned grades of between 5.2 to 18.2 g/t gold.

Aura Silver Searching for the Source of High Grade Gold and Silver at Greyhound Property

Aura Silver is targeting new finds at its high-grade gold-silver Greyhound property in Nunavut, Canada which exhibit geological features similar to Agnico Eagles' Meadowbank gold mine located just 46 km to the north.

The Greyhound property comprises approximately 29,000 hectares in the high Arctic. Local infrastructure is excellent with an all-weather road from Baker Lake to the Meadowbank mine crossing through the Greyhound property within one kilometer of Aura Silver's gold/silver zone discovery.

Last fall, Aura Silver discovered a new mineralized zone approximately 20 kilometers northeast of Aura Lake. The two highest assays of 3.85 and 4.09 g/t gold come from two showings on separate units of iron formation roughly one kilometer apart, illustrating the extensive nature of the iron formation and multiple gold and/or sulphidized prospects.

"This is an exciting phase of our work at Greyhound," says Boaz. "The newly discovered gold and silver zones, both at Aura Lake and Greyhound North-East will be our primary focus in 2011. We have barely scratched the surface in understanding the project's precious metal potential."

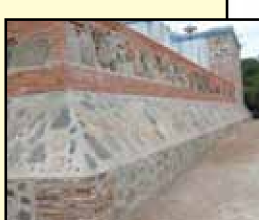
A ground geophysics program completed in October 2010 on its 100%-owned Greyhound property has outlined specific targets for a drilling program scheduled to begin in May.

The gold and silver zone confirmed by recent soil sampling indicates that the high grade gold and silver rock samples are likely indigenous to the south portion of Aura Lake. High-grade precious metal mineralization has been confirmed over a 500 metre strike length to the east and south of the Lake. The samples collected in a 30,000 square-metre area

TAVICHE SILVER-GOLD PROJECT IN OAXACA STATE, MEXICO

Aura Silver's 2011 drill campaign at its Taviche Project in Mexico is focusing on large targets at its Higo Blanco and West Taviche properties in the San Jose District.

Higo Blanco core sample: 12.1 metres of 519 g/t silver



Aura Silver works closely with communities near its Taviche concession in Oaxaca, Mexico, including helping San Pedro restore a wall of a 500-year-old church.

included assays ranging up to 5,380 g/t silver and averaging 1,472 g/t silver in a seven-sample set. Southeast of Aura Lake, three out of four samples taken contain high-grade gold (up to 28 g/t and 20-69 g/t silver); the fourth sample contains 5,380 g/t of silver with anomalous gold.

5,380 g/t silver sample from Greyhound Gold-Silver Project in Nunavut, Canada

Source of High-Grade Copper Samples Targeted at Greyhound Project

Aura Silver believes it has discovered a possible source for high grade copper-zinc float samples grading 9.2% copper and 18.5% zinc that were found 850 metres northeast of Aura Lake. The data was acquired in late 2010 from surface and soil sampling surveys, in combination with earlier airborne MEGATEM geophysical survey results.

"Our geologists have been intrigued by the high copper-zinc values since they were first found in 2008. We confirmed through our soil sampling program that there is a high potential for discovery of buried base metal mineralization within the vicinity of Aura Lake," says Boaz. "In addition to drilling for precious metals, we will be making a concerted effort toward the high value copper-zinc target."

Investment Considerations

Aura Silver is operating in one of the strongest precious metals markets in decades. While gold has been at record levels for the past year, silver's even faster price acceleration is increasingly gaining attention.

Silver prices jumped 75% on the spot market in 2010 as supplies declined. That trend continued in the first quarter of 2011 as silver gained another 22 percent, the ninth consecutive quarterly increase that has lifted the price of silver to 31-year highs. The demand for silver is expected to continue to rise over the next five years, according to a report by The Silver Institute produced by the precious metals consultancy, GFMS Ltd. The reason is silver's unique properties that make it vital for an incredibly broad range of uses, not only in jewelry, but in electronics, photovoltaic solar cells and as an antibacterial agent, just to name a few.

"Silver prices are forecast to continue rising this year, with the annual average comfortably eclipsing the 1980 record high," the report states. "Looking ahead, a bullish picture for the future of silver industrial demand emerges...we expect to see robust gains in industrial silver demand."

This can only bode well for investors seeking less expensive safe havens than gold. Aura Silver, which is focused on exploring for both silver and gold, offers the best of both worlds at a significant discount to the actual prices of the precious metals.

Judging by the quality of Aura Silver's properties in Mexico and Canada, the company's prospects for amassing a significant resource base are considerable. The Mexico properties are located in a district that hosts over 60 historical epithermal, quartz-vein silver, gold and base metals mines. The Greyhound property is located in a mineralized corridor in Canada where boulder samples assay up to 28.2 g/t gold and 5,380 g/t silver.

Aura Silver is well financed with approximately $2 million of cash on hand. During the first quarter of 2011, the company realized proceeds of $919,000 from the exercise of in-the-money warrants and stock options.

"With our strong geological team and proven high-grade gold and silver projects amid a continuing strong momentum in the gold and silver markets," says Boaz, "Aura Silver is well positioned for success and potential share price appreciation."

AuraSilver
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Southern Copper a "Buy"

Russ Kaplan: "**Southern Copper** (SCCO), first recommended in 2006, has been down sharply lately due to the election of a new President in Peru.

I see this event as an opportunity for those who did not invest in the stock five years ago. This would be a good time to buy some shares. For those already invested, it would be a good time to buy more.

Copper prices are low right now, but like other commodities, but they fluctuate continuously. Because copper is used so heavily in construction the price should rise as the economy goes up.

Southern Copper has significant operations in Peru. With the recent election of Ollanta Humala (a centrist with leanings to the left) as President, there is the fear that Humala will govern like Hugo Chavez. However, I believe he will govern more like Lula of Brazil. He raised Brazil's economy up to be the eight largest in the world.

Copper is a major industry in Peru, and I don't think the country will stand for the killing of the golden goose. Additionally Southern Copper is a financially solid company with a huge return on equity and a dividend several percentage points ahead of what you could get on a treasury."

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DOW THEORY FORECASTS, 7412 Calumet Ave., Hammond, IN 46324. 1 year, 52 issues, $279. www.dowtheory.com.

Apache's timing, patience pay off

Richard Moroney: "Founded in 1954, **Apache** (APA: $121) has increased reserves in 22 of the last 25 years and production in 30 of the last 32 years. That consistency is impressive given the capricious nature of oil exploration.

Since its first big oil strike in Wyoming in 1967, Apache has grown into one of the country's largest independent oil-and-gas producers. In 2010, annual daily production rose 13% and proved reserves 25%, as Apache set all-time highs for revenue, net income, and cash provided by operations.

Apache has generated sales growth above 30% in six consecutive quarters, while operating margins have expanded. Crude oil and liquids accounted for 52% of 2010 production and 77% of revenue. The stock is a Buy and a Long-Term Buy.

Opportunity knocks

Based on 2010 production levels, Apache has 10 years of proved reserves for oil, 14 years for natural gas, and 22 years for natural-gas liquids. About 70% of proved reserves lie in the U.S. and Canada, though that percentage should decline in coming years. Apache drills in the U.S. (35% of 2010 revenue, 35% of 2010 production), Egypt (28%, 24%), the North Sea (13%, 9%), Australia (12%, 12%), Canada (9%, 13%), Argentina (3%, 7%), and Chile.

On the acquisition front, Apache kept a low profile from 2007 to 2009, mostly avoiding what it viewed as an overheated market. But in 2010, the company spent more than $11 billion on acquisitions, including $4.4 billion for Mariner Energy, known for its deepwater operations in the Gulf of Mexico. Apache paid $26.22 per share for Mariner – two years after its offer of $30 per share was rebuffed.

Also in 2010, Apache picked on **BP** (BP $43), desperate to shore up its balance sheet as lawsuits piled up after the disaster in the Gulf of Mexico. Apache paid $6.4 billion to acquire assets in Canada, Egypt, and West Texas. In addition, Apache acquired Gulf of Mexico shallow-water properties from **Devon Energy** (DVN: $78) for $1.05 billion.

Now Apache, and its enlarged asset base, are benefiting from stronger energy prices. Apache's realized oil prices surged 31% in the March quarter, while production rose 25%. North American production jumped 47%, with the rest of the world up 6%.

Apache launched its first deepwater project in the Gulf of Mexico during the March quarter. The company plans to spend $8.1 billion on capital projects this year, up 65% from 2010 levels. Apache sees production rising 13% to 17% this year, excluding any acquisitions.

Conclusion

Apache, when compared to its peers, represents a compelling value. Shares trade at less than 13 times trailing earnings, versus 19 for the average exploration-and-production stock in the S&P 1500 Index. Wall Street sees per-share earnings surging 34% to $11.94 on 37% higher revenue. Yet shares trade at just 10 times that 2011 profit estimate, versus averages of 17 for the energy sector and 18 for the exploration-and-production group.

An annual report for Apache Corp. can be obtained at 2000 Post Oak Blvd., Ste. 100, Houston, TX 77056; (713) 296-6000; www.apachecorp.com."

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GOLD SILVER URANIUM PLATINUM PALLADIUM OIL & GAS BASE METALS

P.O. Box 917179, Longwood, FL 32791
(407) 682-6170
Publisher: The Bull & Bear Financial Report
Editor: David J. Robinson
TheResourceInvestor.com

Resource Stocks: Gold, Silver & Oil & Gas Shares

ECONOMIC ADVICE, 3910 N.E. 26th Ave., Lighthouse Point, FL 33064. Monthly, 1 year, $149. www.economicadviceinc.com.

Terraco Gold Corp. inexpensive gold play with holdings in Idaho and Nevada

James Rapholz: "I've got an inexpensive little gold play that shows a bit of promise for you to consider today. Terraco Gold Corp., (TSX.V: TEN; $0.28).

Quick Facts:

(1) Exploration properties generated by two proven mine finders – Charles Sulfrian, formerly with Barrick and Ken Snyder, formerly with Newmont.

(2) Advanced-stage Almaden Project hosts a NI 43-101 measured and indicated resource of 864,000 ounces of gold and an inferred resource of 84,000 ounces of gold within 300 feet of the surface and is highly prospective for high-grade bonanza-style mineralization at depth.

(3) Early-stage Moonlight Project adjoins the north side of Barrick Gold/Midway Gold Spring Valley JV, which hosts a NI 43-101 resource 1,835,000 ounces of gold

(4) 2011 Exploration Program: Almaden: Drilling for feeder zones at depth; Additional resource drilling; Possible Regional Expansion

(5) Moonlight: Black-Ridge Fault Mapping; Geophysics; Drilling

Terraco Gold Corp. holds advanced-and early stage gold/silver projects in Prolific mining camps in Idaho and Nevada. The 100% owned Almaden Project, 78 miles north of Boise, Idaho, has excellent access and infrastructure and a data base of over 199,000 feet of historic drilling in 887 drill holes. Almaden geology is similar to the Hollister Mine (owned by Great Basin Gold) and The Ken Snyder "Midas Mine" (owned by Newmont Mining) in northeast Nevada.

The 100% owned Moonlight Project in Nevada is about five miles north of the Coeur d'Alene Rochester silver/gold mine, which has produced over 127 million ounces of silver and 1.5 million ounces of gold in its 24 year history. The Rochester recently returned to production. The Moonlight Property also adjoins the north side of the Spring Valley joint venture between Barrick Gold Corp. /Midway Gold Corp. Spring Valley hosts an NI 43-101 resource of 1.835 million ounces of gold, with gold mineralization open to the north and at depth towards Moonlight. (*Editor's Note): The term joint venture is mining lingo for a partnership between two or more mining companies.

Terraco Gold puts nearly 1 million ounces of gold on its books with acquisition of the Almaden project in Idaho:

When Terraco Gold Corp. merged with Western Standard Metals in January, 2011, it moved itself not just to a whole new level, it swiftly became a company to watch closely as it works aggressively to develop its newly acquired, advanced-stage Almaden Gold Project in Idaho.

"We are really excited about Almaden, if for no other reason than we picked up about a million ounces of gold for something under $20 an ounce, "says Terraco Gold President and CEO Todd Hilditch. The economics are very good especially in the current gold price environment."

Not to be forgotten is Terraco Gold's exploration-stage, gold-silver Moonlight Project that lies smack in the middle of several major gold and silver producers in a new prolific mineral trend in Nevada.

Aggressive exploration planned at Alamden Gold Project to expand resource, discover feeder zones:

Terraco Gold's Almaden Project, located in southwestern Idaho, hosts an NI 43-101-compliant measured resource of 864,000 ounces of gold and an inferred resource of 84,000 ounces of gold, all within approximately 300 feet of the land surface. (*Editor's Note): This is very important because the mineralization is close enough to the surface to be strip mined. Strip mining can be accomplished for about 80% less costs than hard rock mining; therefore this mineralization is extremely valuable to a mining company.

The current identification of the ore body is about 1000 feet wide, 2000 feet long and 300 feet thick. The Almaden Project is an outcropping ore body and boasts excellent access and infrastructure.

An NI 43-101 technical report, prepared by Mine Development Associates, outlines a measured resource of 239,000 ounces of gold (9,810,000 tones grading 0.754 grams per ton), and an inferred resource of 84,000 ounces of gold (4,780,000 tons grading 0.549 grams per ton, at cutoff grades of 0.274 grams per ton, 0.411 grams per ton, and 0.789 grams per ton of oxide, mixed, and sulfide mineralization. The report was based on gold cutoffs of 0.008 ounces per ton for the oxidized material, 0.012 ounces per ton for mixed (partially oxidized) material, and 0.023 ounces per ton for sulfide (un-oxidized) material.

Recent exploration data for both the Almaden and nearby Crane Creek Projects was acquired as well in the merger with Western Standard metals. A four-month ground geophysics and soil geochemistry program completed in March of 2010 included 147 line kilometers of induced polarization, 121 line kilometers of ground magnetics and 4,337 soil samples. (*Editor's Note): Ground magnetics is the process of checking for the formation of iron in the soil or in rock formations. Iron is the mother of gold. If there is no iron in the area of interest – there is no gold. A zillion years back when the center of the planet earth blew up – mountains were formed and hot liquid gold was forced into the cracks of these mountain rocks. Molten iron cools off much faster than liquid gold, so in order to have gold present, there has to be iron present because it trapped the gold in place while it solidified. If the iron wasn't in place, the liquid gold would travel back to its origin in the center of mother earth. Magnetic sampling is usually accomplished from an airplane but, it can also be accomplished manually from the surface of the earth.

The company also has intriguing geologic data accumulated during historic drilling of over 199,000

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feet in 887 separate drill holes. Incredibly, only 24 of those holes extended deeper than 550 feet. And even more incredibly, assays from the deeper holes hint at the presence of a gold-rich feeder zone. Similar gold systems are to those found at Great Basin gold's Hollister Mine (4 million ounces) and Newmont's Midas Mine (7.6 million ounces) in northeast Nevada. (*Editor's Note): I like the sound of this. If you call for an investor's kit, ask for more information on these feeder zones.

"Finding the feeder zone is important," says Hilditch. "One drill hole, still at relatively shallow depth, intersected significant widths of mineralization grading of 4.6 grams per ton of gold over 14.2 meters. We believe the existing deposit is like a flower sitting on or nearby to the stem of feeder type higher grade gold."

Terraco Gold's planned drilling program scheduled to start this spring will utilize all of that data to target its exploration of the extension of near-surface mineralization, open to both the north and south, to better understand the underlying geology, and to test for high-grade, bonanza-style structurally-controlled gold mineralization at depth.

Moonlight Gold-Silver Project Adjacent to Major Mining Properties

Significantly, Terraco Gold's Moonlight Project in Pershing County, Nevada lies on a prolific mineral trend just five miles north of Coeur d'Alene's massive silver-gold Rochester Mine. Over its 24 year history, the Rochester Mine produced 127 million ounces of silver and over 1.5 million ounces of gold.

The seven square mile Moonlight gold-silver property adjoins the north side of the Spring Valley joint venture between Barrick Gold Corp. and Midway Gold Corp. Spring Valley lies between Moonlight and the Rochester Mine hosts an NI 43-101 resource of 1,835,000 ounces of gold. Barrick's 2009 and 2010 drilling confirms gold mineralization open to the north and at depth and trending toward the Moonlight Project.

Recent exploration at Moonlight was conducted by two highly respected professionals who were instrumental in the discovery of such major Nevada gold deposits turned mines such as Barrick's Goldstrike Mine – partially credited to Terraco gold's VP of Exploration Charles Sulfrian, CPG – and Newmont's Ken Snyder 'Midas' Mine, named after Terraco's lead mine consulting geologist, Dr. Ken Snyder.

Strong-Mining-Savvy Management Team

A significant part of Terraco Gold's value lies in its management by a particularly experienced and accomplished team of mining professionals.

Todd Hilditch, BSc, Terraco gold's President and CEO since its inception in 1995, has over 15 years experience in the natural resource sector. His management credits also include serving as president, CEO and director of numerous companies listed on the TSX Venture exchange, including Salares Lithium, whose $350 million merger with Talison Lithium created the world's largest producing lithium company.

Terraco Gold's VP of Exploration Charles Sulfrian, CPG, has more than 28 years of national and international exploration experience, particularly at Barrick's Goldstrike Mine. In the 1980s, his work helped lead to the discovery of the Deep Post Deposit. Dr. Ken Snyder, Terraco Gold's lead Consulting Geologist, has over 30 years of national and international exploration experience involving the discovery and mining of precious metals, base metals and mineral deposits, including the discovery of the Rex Grande gold vein in Nevada, now known as Newmont Mining's producing Ken Snyder (Midas) Mine. (*Editor's Note): Base metals are copper, lead and zinc and they are often found when mining silver and gold, and are considered as by-products which are also included in the total mining income.

"Terraco gold feels privileged to have two men of this caliber. Charlie and Ken have unbelievable track records and are members of that rare group of geologists able to find economic deposits," says Hilditch. "They are aggressively planning this year's program for the Almaden Project, searching for the source of the disseminated gold deposit."

Investment Considerations

Terraco Gold's stock began a steep climb when it raised C$1.75 million in a private placement last fall, followed quickly by announcements that the company had started its exploration program at its Moonlight Project in Nevada and that it had acquired the Almaden Gold Project in a merger with Western Standard Metals. As the market realized that Terraco now controlled the third largest gold deposit in Idaho, the company's market cap soared some 400% to now stand at about C$40 million. The company is now well financed with C$3.5 million in its treasury, enough to finance its entire 2011 exploration budget. Then there are those 35 million warrants valued at about C$13 million that expire between now and September 2012 – money that could take Terraco Gold to yet another level.

"Terraco Gold's upside relates to finding the feeder zones and building Almaden's gold resource," says Hilditch. "Our safety is our nearly million ounce, outcropping gold resource. Our blue-sky is for Moonlight to become a gold and silver elephant."

Rapholz Note: I wrote Terraco up because I noted several good points within this company. The feeder zones come to the top of the list and I must admit that this little company has succeeded in attracting some very experienced talent which is usually reserved for the big mining concerns only. However, I can't get totally carried away because an awful lot still remains to be proven. Therefore, I'll state that Terraco is a very decent gold mining investment up to one US dollar. I'm willing to extend that figure but, not until I see some actual mining production come into play!

Contact: Todd Hilditch, President and CEO at toll free (877) 792-6688, or (604) 443-3835. Email info@terracogold.com, www.terracogold.com, 12 month Hi $0.51 - Low $0.075.

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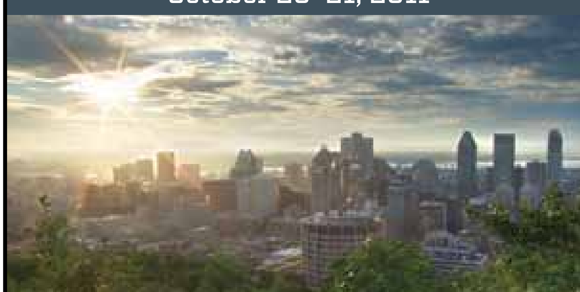

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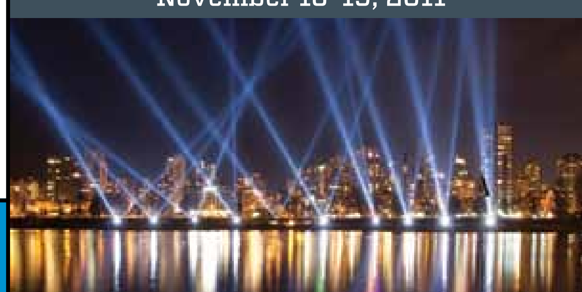

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Lucas Energy Attracts Major Oil Company Partners to Rejuvenate Texas Oil Wells

LUCAS ENERGY

Lucas Energy, Inc. is a publicly traded oil and gas company that is acquiring low producing, shut in, or abandoned oil wells with underlying potential. Currently, Lucas Energy has acreage in the fast growing Eagle Ford Trend in Central Texas near San Antonio. Lucas Energy's base business plan includes acquiring wells at a low cost, improving production in the wells, and developing the underlying upside potential with joint venture partners. The company has moved into production improvement after two years of increasing its Eagle Ford asset base, and anticipates continued improvement in production, revenues, and bottom line. Production for the 4th quarter 2010-11 (Jan. - Mar. 2011) was up approximately 15% over the production for the 3rd quarter 2010-11 (Oct. - Dec. 2010). In the 4th quarter, Lucas had gross production of 19,898 bbls of oil as compared to 17,343 bbls of oil in the 3rd quarter. Improvement in production during the 4th quarter was due to workovers, improved trucking, and field operational changes.

LUCAS ENERGY, INC.

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Trade Winds Ventures' Detour Lake Gold Project Earns It A Place Among Top Emerging Canadian Mining Companies

TRADE WINDS VENTURES INC.

Trade Winds Ventures Inc.'s primary focus is the advancement of its Detour Lake Block A and Gowest properties, located in the Abitibi Greenstone belt in Northeastern Ontario, a prolific gold mining region which has produced over 65% of Canada's gold. An aggressive in-fill drill program is underway with the aim to increase the resource base and advance the project toward development of a stand alone open pit mine and mill operation. Recently, Trade Winds as operator, completed a NI 43-101 updated resource calculation on the 50/50 Block A Joint Venture with Detour Gold Corporation at Detour Lake. The global resource calculation included an in-pit gold resource of 1.924 million ounces in the indicated category and 762,000 ounces in the inferred category at a base case of US$1,000/oz gold. The total global resource on the Company's Block A and Gowest properties is in excess of four million ounces gold at a cutoff grade of 0.4 g/t. In addition, Trade Winds owns a 100% interest in the Dardanelle gold and Treasure Mountain copper properties in British Columbia.

TRADE WINDS VENTURES INC.

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U.S. Silver Posts Strong Silver Production, Poised to Reopen Second Mine In Silver Valley

U.S. SILVER CORPORATION • USA.TSXV

US Silver Corporation owns/operates the Galena Mine in the historic Silver Valley of North Idaho. The Galena Mine and Mill, along with the Coeur Mine and Mill and the Caladay Project, encompassing 11,000 acres of patented and unpatented mining claims, surface facilities and equipment were acquired for $15 million from Coeur d'Alene Mines Corp in 2006. The Galena Mine ranks as the second largest primary silver mine in US history and lies in the heart of the Coeur d'Alene Mining District, the most prolific silver district in United States history with over 1.2 billion ounces of silver production. Historically, the company's mines produced some 9.9 million tons of ore containing over 200 million ounces of silver, 160 million pounds of copper, and 22 million pounds of lead at an average grade of 21.2 ounces per ton of silver, 0.8% copper and 8.8% lead. US Silver has since added over 7,000 acres of unpatented claims, and also acquired the historic Dayrock Mine and Mill. The Company now controls over 14,000 acres in an area over 11 miles long by over 4 miles wide.

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Resource Stocks: Gold, Silver & Oil & Gas Shares

THE PERSONAL CAPITALIST, 9524 East 81st St., Ste. B # 1715, Tulsa, OK 74133. 1 year, 24 issues, $195.

Nuclear is here to stay

Sean Christian: "**Cameco** (CCJ) explores, develops, mines, refines, converts, and fabricates uranium for sale as fuel for generating electricity in nuclear power reactors globally. Following the Japanese incident, some world powers have walked away from nuclear power as a source of energy. Germany recently said it will accelerate the gradual phase-out of all nuclear power production by 2022. The Italians just voted against nuclear power in a historic election a sign of popular discontent toward Prime Minister Silvio Berlusconi. We find this a reaction to Japan. The Japan and German situation affected only some 5% of nuclear plants. The remaining 95% are still operating and new plants are coming online worldwide. According to the European Nuclear Society, as of January 2011, in 30 countries, 442 nuclear power plants are in operation and 65 plants in 16 countries, including China, under construction. The public is hysterical and the press keeps fanning the flames. We feel this is overdone and the sell off in CCJ is temporary. Nuclear is here to stay. We will hold."

****

UTILITY FORECASTER, 7600A Leesburg Pike, West Building, Ste. 300, Falls Church, VA 22043. Monthly, 1 year, $149. www.UtilityForecaster.com.

NuStar Energy is cheap again

Roger Conrad: "A decade ago **NuStar Energy LP** (NYSE: NS; $61.02) – then known as Valero Energy Partners – was spun off from refiner **Valero Energy** (NYSE: VLO) with $387 million in assets. Today it runs $5.7 billion worth, including 8,417 miles of pipelines, 90 energy liquids terminals and storage facilities (94 million barrels capacity) and two asphalt refineries with throughput of 118,500 barrels a day.

Operations span Canada, Mexico, the Netherlands, the UK and Turkey, as well as the US. And NuStar continues to grow, buying a refinery from a distressed owner in its home city of San Antonio, Texas, for just 20 percent of replacement cost in April. It's also inked a deal to build and operate a major pipeline linking Eagle Ford Shale crude oil to Corpus Christi.

Asset additions and strong through-put doubled NuStar's first-quarter distributable cash flow. Energy storage was the star, with a 12.9 percent cash flow boost. But pipeline income also rose, as cost cutting offset the impact of scheduled maintenance. And, despite seasonal weakness in asphalt, marketing cash flow swung positive.

The wildcard every year for NuStar is asphalt profit in the peak summer season. Management noted some favorable portents for this year, including expected higher margins and plant run rates. Importantly, however, it doesn't rely on asphalt to pay dividends, but rather ploughs profits back into growth.

That promises to be substantial going forward, as CEO Curt Anatasio – NuStar's only CEO since inception – boosted 2011 growth capital spending to $450 million. Take advantage of NuStar Energy's low price in the wake of overblown worries about MLP taxation; buy it up to 70."

****

INVESTORS EDGE, 774 Mays Blvd, Ste. 10, Incline Village, NV 89451. Monthly, 1 year, $179. E-subscription, $139. www.stanfordwealth.com.

A Few Ideas That Hold Water

Joseph Shaefer: "Hyflux is my favorite company in the area of the business with what I believe is the biggest potential. And SBS is my favorite for income with mostly-steady growth.

But there are companies working in the fresh-water world that will benefit mightily from their technologies and experience, as well. Pollution, chemical and oil spills, waste and fertilizers have exaggerated the health impact caused by the lack of clean drinking water. It's the same all over the world. In the US, agricultural pesticides and herbicides account for more than 70% of water pollution. At least 70,000 different chemicals are used regularly throughout the world, and there are between 200 and 400 toxic chemicals that contaminate the world's waterways. This industrial waste, when coupled with agricultural runoff, further exacerbates the problem.

That's why wastewater treatment is big business, processing millions of gallons of water while sending tons of the refuse taken from the water to landfills. However, in much of the world, this process is even more necessary and is just getting started! In many nations, 90% or more of all sewage and a close-to-it or equal percentage of all industrial waste are discharged into surface waters without any treatment whatsoever!

So companies that provide services to collect, treat, monitor, meter and analyze water and wastewater, or who provide the pipes, the pumps, the generators, and the flow control systems, efficient irrigation, recycling of gray water, and so much more, are all in demand. This last area is where I find 90% of the great investment opportunities.

Tetra-tech (TTEK) does it all: consulting, engineering, program management, construction and technical services, all focused on resource management and infra- structure. It is involved in the Big three going forward: water, the environment, and alternative energy services. Pentair (PNR) has two primary business segments: Water and Technical Products. The Water Group is provides both products and systems used to move, store, and treat water. (The Technical Products Group is mostly about thermal management, designing standard and custom enclosures for electronics and electrical components.) **ITT Corp** (ITT) is not a pure play but, rather, a conglomerate (sorry! "Multi-industry company") that is in three primary areas, but their Fluid Technology includes water and wastewater treatment systems, the pumps that make it all work, and related technologies.

Then there is **Lindsay Corp** (LNN). If you drive across America, or fly over it, you'll see gigantic circular crop irrigators that spew water out like huge lawn sprinklers. Basically, these irrigation systems save the farmer money and save all of us water. **Veolia Environnement SA** (VE) is a big French water services firm, with a large and growing presence in a number of developing markets, where it competes directly with Hyflux. **Suez Environnement SA** (SZEVY) is another French company primarily engaged in the field of environmental services. The Company comprises two divisions: the Water Division, which is involved in the treatment and distribution of drinking water and the purification of domestic and industrial water; and the Waste Division, which is involved in waste collection, treatment of waste, recycling, and material, biological and energy recovery.

Layne Christensen (LAYN) is an interesting drilling and construction company focused on water, mining and natural gas production. In the water arena, LAYN provides water well drilling services, water and sewer distribution remediation services, and waste water treatment services. As water management becomes more critical, LAYN's services to repair in situ (in-the-ground) distribution pipes for both water and sewer become more important. **Energy Recovery Inc.** (ERII) is a small-cap company that seeks to make desalination more affordable. ERII's primary product is the PX Pressure Exchanger, a rotary positive displacement pump that recycles about 98% of the energy used in the pressure requirements of reverse osmosis, reducing overall project energy requirements by upwards of 60%. Here are a few more for your consideration: **Itron** (ITRI), **Insituform** (INSU), **Millipore Corporation** (MIL), **Gorman-Rupp Co.** (GRC), **Valmont Industries Inc.** (VMI), **Badger Meter Inc.** (BMI), **Itron Inc.** (ITRI) **RWE** (RWEOY), **Idex** (IEX), **Flowserve** (FLS), **Ameron** (AMN), **Pall Corp** (PLL), **Dow Chemical** (DOW), **Watts Water Technologies** (WTS), **Siemens** (SI), **Basin Water** (BWTR), **Mueller Industries Inc**. (MLI), **Mueller Water Products** (MWA), **Danaher** (DHR), **Calgon Carbon** (CCC), and **Franklin Electronics** (FELE), **Fluor** (FLR), and **Nalco Holding** (NLC) – the largest global player in the industrial water treatment industry."

...Nor Any Drop to Drink

There is one water utility I'd like to suggest for your due diligence right now. It is the Brazilian mouthful properly called **Companhia de Saneamento Basico do Estado de Sao Paulo** (SBS). I mentioned a couple months back that Brazil was the only high "total available renewable water resource" country that makes it into my A 'N' B 'N' C club. Here's a company that is in Brazil, is in water, and meets my own personal growth and fundamental value criteria.

SBS has been growing at double-digit rates for several years, and is a one of the few in-country stocks I like. The company provides clean water as well as environmental sanitation services like treating sewage and recycling gray water via its industrial waste treatment facilities. Founded in 1954, the company has grown with the Sao Paulo state of Brazil. The company treats sewage for 26 million people and also handles rainwater drainage and management. One thing all water utilities have are very wide moats. SBS, for example, has zero competitors. Its growth depends upon the growth of the nation, not taking market share from a rival – or worrying about a rival taking theirs. And, unlike the US water utilities, growth in Brazil is extensive; SBS will continue to grow as Brazil grows. The company enjoys a high free cash flow of some $2 billion a year, as well as high growth. What recession?

The next World Cup will have some games played in Sao Paulo. Wanting to project the best image to the rest of the world, I imagine Brazil will provide the funds for a significant boost to San Paolo's sanitation facilities. Future regional and world events will ensure that Brazil takes steps to improve water quality, sanitation, and many other infrastructure opportunities.

The company sells at one times revenue, a P/E of 7.9, and well below book value, which is over $100. Even skimming its high for the year, it yields just over 7%. Before I would personally buy a low-growth, politically-constrained US water utility, I'd take a hard look at SBS."

Resource Stocks: Gold, Silver & Oil & Gas Shares

THE TURNAROUND LETTER
225 Friend St., Ste. 801, Boston, MA 02114.
Monthly, 1 year, $195.

Did Congress call the top in oil prices?

George Putnam, III: "Politicians have a history of investigating "crises" that have long since passed. Congress recently held hearings on high oil prices, and that suggested to us that this might be a good time to look at stocks that would benefit if oil prices began to fall again. Many of the ones we found had a turnaround story as well.

Just for reference, we looked at what happened the last couple of times that Congress got agitated about oil prices. The last such hearings were held in late May 2008. Over the succeeding year, oil prices dropped by more than 50%. (Of course, there were a few other events in late 2008 that may have affected oil prices as well). Congress' previous foray into oil prices in November 2005 had a less dramatic effect. Following those hearings, oil prices rose for a few months and then fell until early 2007.

Some of the stocks that benefit from lower oil prices are obvious, such as those for whom fuel is a major component of their costs. But other types of companies benefit in ways that are more subtle. For example, many chemical producers use petroleum products as their raw materials, and destination resorts are hurt when gas prices are high. Even less obvious is the fact that Canadian exporters often benefit from lower oil prices. When oil prices are high, it typically pushes the Canadian dollar higher (Canada has large petroleum reserves), making Canadian products less competitive in the export market.

We even discovered two possible beneficiary groups where we're not quite sure what the connection is. Following each of the last two Congressional hearings on oil prices, two of the best performing groups were tobacco companies and beverage companies. Maybe high gas prices prevent their customers from buying beer and cigarettes. Whatever the reason, we think the stocks discussed below could benefit if Congress has once again called a top in oil prices.

While all of the airlines would benefit from lower fuel prices, we particularly like **US Airways** (LCC: $9.10) and **United Continental** (UAL: $24.15). Although US Airways has moved up substantially since we first recommended it about two years ago, we still think it has the most price leverage of any of the air carriers. United has much to gain from lower fuel costs because it has many long-haul routes to Asia.

Trucking companies would also be major beneficiaries of declining oil prices. We particularly like **Swift Transportation** (SWFT: $13.55), one of the largest US truck carriers, which completed a public offering late last year. **Arkansas Best** (ABFS; $24.49) is showing improved results, but still trades at less than half its 2007 high.

Recreational vehicle sales tend to drop off pretty sharply when gas prices rise. Nonetheless, the RV industry is showing signs of health after collapsing in 2008 and 2009. With an industry rebound in 2010 continuing into the first quarter of 2011, **Drew Industries** (DW: $26.40), which makes RV components, is beginning to perform better. We believe it has a lot further to go, particularly if oil prices come down.

Cruise ships also use a lot of fuel. Moreover, lower gas prices may give their customers more money to spend on discretionary travel. **Carnival** (CCL: $38.81), the world's largest cruise ship company, has been on our recommended list for some time, and we are making it a "buy" again, up to 45. **Royal Caribbean** (RCL: $39), number two in the industry, is also well positioned. Both stocks are off considerably since the beginning of the year.

A chemical name that caught our eye is **LyondellBasell** (LYB: $43.81). The stock has risen significantly since the company emerged from Chapter 11 a little more than a year ago, but a number of savvy investors think it will rise further.

Among the destination resorts, we like **MGM Resorts** (MGM: $15.07) and **Six Flags** (SIX: $39). MGM operates 15 properties from Nevada, Mississippi and Michigan to New Jersey, Illinois and Macau. While its balance sheet is still pretty leveraged, results are showing signs of improvement. Six Flags' stock has soared since the operator of amusement parks emerged from bankruptcy about a year ago, but it could have further to go if Americans do more driving this summer.

If beverage stocks follow the same historical pattern, **Molson Coors Brewing** (TAP: $46.65) and **Cott** (COT: $8.75) could be interesting. Molson is the fifth largest brewer in the world. With 40% of its operations in Canada, it stands to benefit if the Canadian dollar weakens. Cott is the largest private-label soft drink maker. It too has much of its production in Canada. Moreover, it has been hurt recently by high raw material costs, which could come down along with oil.

Universal (UVV: $42.17) sold most of its non-tobacco business in late 2006 to become a purer play as a leaf tobacco merchant and processor. If our observation about tobacco companies doing well in this environment holds true, Universal's stock should perform nicely.

Even if you have to wait a while for an upturn in the stock price, the company pays a generous 4.5% dividend.

Disclosure Note: Certain of the stocks discussed above are held in accounts managed by an affiliate of the Publisher."

REBgold On the Hunt for Gold Projects in Europe, North and South America; using competitive bioleaching technology

REBgold is acquiring and developing an economic interest in gold assets and is evaluating and negotiating on a number of targets, ranging from scoping stage assets to producing mines. REBgold plans to develop a small portfolio of equity interests, including control positions, in assets of merit, where it can utilize its competitive advantages to create shareholder value. The Company's key competitive advantages include an experienced board and management team, strategic investor backing and proprietary technology. The Company's bacterial oxidation and bioleaching technologies are commercially proven to liberate precious metals from difficult-to-treat sulphide ores and concentrates, with environmental and economic benefits. To date, the Company's patented BACOX technology has been used at three gold mines located in Australia, Tasmania and China. REBgold is one of only two companies worldwide who have commercially proven, bioleaching technology that liberates precious and base metals from difficult to treat sulphide ores and concentrates.

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Rye Patch Gold Holds Sizeable Gold/Silver Resource, Seeking To Add to Existing Resource

Rye Patch Gold is a Tier 1, Nevada-focused and discovery-driven company seeking to build a sizeable inventory of gold and silver resource assets in the mining friendly state of Nevada, the world's fourth-richest gold region. The company's seasoned management team is engaged in acquisition, exploration and development of quality resource-based gold and silver projects. The company's primary asset is the advanced-stage Wilco project, where drilling continues to upgrade an expanding gold/silver inventory. Rye Patch has acquired advanced assets and explored aggressively towards its goal of a 10-million ounce gold inventory within 36 months. The company's Nevada focus arose from management's considerable knowledge of the region and Nevada's key position in world gold output. Starting with 150,000 inferred ounces of gold in mid-2007, this well-funded Company now has 1.2-million ounces of gold and gold equivalent in the measured and indicated category, plus 2.7-million ounces of gold and gold equivalent in the inferred category.

RYE PATCH GOLD CORP.
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Torex Gold Targets 5 Million Gold Oz. Resource in 2011 Production to Start in 2014 at Morelos Gold Project in Mexico

Torex Gold Resources Inc. is a well funded, growth oriented company engaged in the exploration and development of precious metal resources with a focus on gold. It owns 100% of the Morelos Gold Project, an advanced stage gold exploration property 180km southwest of Mexico City on paved roads and located near established centres of supply for materials and workers. Power for any mining operation would be available from a 115kV line that crosses over the Project and water for process and potable use could be sourced from nearby springs. The Project current NI-43 101 compliant resource estimate stands at 3.0 million ounces of gold in the measured and indicated category plus an additional 900,000 ounces of gold in the inferred category. With a management team now in place, 100% ownership of a solid gold project with superb exploration upside and a strong balance sheet, the Company is committed to significantly increasing the current resource base through an aggressive exploration program, while at the same time, advance the Morelos Gold Project into production.

TOREX GOLD RESOURCES INC.
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Natixis Commodity Markets' Second Quarter Metals Review

The Outlook For Base Metals

Base metals: A reality check. The recent correction in prices can be seen as a reality check for both base and precious metals, which arguably had lost touch with fundamentals during the early part of this year. For many of the base metals, prices were extrapolating strong fundamental conditions without taking into account the possible negative effects of high energy prices, substitution, recycling or other potential efficiency gains from end-users. A constant stream of bullish news was required to support these elevated prices, but this news flow dried up, before going into reverse, taking prices to recent lows during early May.

Consolidation, not collapse. Previous corrections in the base metals sector have tended to be short-lived, and viewed by many as buying opportunities. We believe that the current correction is no exception. The principal reasons behind the fall in base metal prices are, in our view, the rise in energy prices and resultant tightening of monetary policy across the developing world. Although this policy tightening probably has a little further to go, the recent correction in oil prices offers the prospect of an eventual peak in year-on-year inflation rates, and once supportive base effects and lower energy costs allow us to look beyond the current round of policy tightening, there is scope for a further up-leg in base metal prices.

Aluminium: Our basic view on the fundamentals of the aluminium market is largely unchanged from our previous Quarterly Metals Review, in that we see the market eventually moving back into a deficit position. The size of the deficit in 2012, of 400,000 tonnes, will not make huge in-roads into the current stock overhang, but we continue to believe that the market will be positively surprised by this improvement in the fundamental picture.

We believe that most of the factors that have supported the aluminium market – strong demand growth, increasing production costs and difficulties accessing metal stockpiles – will remain in place. However, we take the view that these factors will be more likely to consolidate recent gains rather than lead to another sharp increase in prices. We forecast an average annual price of $2,650/tonne this year followed by $2,750/tonne in 2012.

Copper: We find ourselves in the position of seeing copper prices largely where we expected them to be, having suggested a correction was likely from the elevated levels at year-end. With copper fundamentals remaining solidly supportive, and with some signs emerging that Chinese copper demand is slowly beginning to improve after the recent soft patch, this leaves us cautiously positive on the outlook for copper prices. Yes, there is scope for the recent correction to extend further, but if copper prices are being dragged lower by a more general decline in commodities such as oil and agriculturals, the resultant decline in inflationary pressure should be positive for the outlook for industrial demand from developing countries. We would be tempted to buy on dips, targeting average prices of $9,450/tonne and $9,700/tonne over 2011 and 2012 respectively.

Lead: Recent movements in exchange stock levels in response to sharp backwardations between spot and 3-month prices have served to highlight that the lead market is not quite as tight as some might have anticipated. Nevertheless, we expect lead's more positive longer term fundamental outlook will keep prices well supported through the current period of oversupply, resulting in prices averaging $2,650/tonne this year. Thereafter, as the market returns to deficit, prices are expected to strengthen to an average of $2,850/tonne in 2012.

Nickel: We believe that the nickel market will register a deficit of around 10,000 tonnes this year. This simple total nevertheless hides what we expect will be a year of two halves, in which a significant deficit during the first half gradually switches to a surplus as the year progresses. The increase in nickel demand is expected to be more than offset by the supply-side as recently commissioned ferro-nickel operations ramp up to full capacity. This, in turn, should see the market record a surplus position after two years of deficit.

We therefore forecast spot nickel prices averaging $24,500/tonne this year. With the market gradually shifting into oversupply next year, prices have the scope to fall, hence our forecast for an average price of $24,000/tonne in 2012.

Tin: We continue to expect the tin market to post a deficit this year of around 16,000 tonnes, as the supply response remains inadequate to match robust demand. In addition to the depletion of reserves and government intervention, a lack of new projects outside China will continue to place a cap on global supply growth this year at around 4.0%. Similar themes will remain in place during 2012. Underpinned by this strong fundamental outlook, we remain positive on tin prices, and expect an average of $31,500/tonne this year. Thereafter, in 2012 we expect tin prices to remain elevated, maintaining their 2011 levels.

Zinc: After five consecutive years of market surplus, 2012 is likely to see a global deficit of 55,000 tonnes, primarily as a result of a slowdown in production. As a result of this anticipated improvement in fundamentals, we would expect zinc prices to average $2,350/tonne in 2011. Going forward, the growing tightness in the zinc concentrate market is expected to offer a foretaste of tighter conditions for refined metal, pushing prices to an average of $2,700/tonne in 2012,

Continued on next page

Continued from previous page

although high stocks are likely to limit the extent of the rally for the time being.

The Outlook for Precious Metals

Precious metals – caveat emptor. There are a number of factors that make us cautious towards the outlook for precious metals, particularly gold prices and silver prices. Most important is the potential for higher interest rates in most key regions. This trend has been in place among developing countries for some time. More recently, the ECB has begun to hike rates, while the end of QE2 may also boost interest rates in the US. This would raise the opportunity cost of holding a low-yielding asset such as gold, as well as potentially strengthening the dollar. The bottom line is that one of the key drivers behind the rapid expansion of high powered money may be coming to an end.

Investors are having to soak up the surplus. The underlying fundamentals for the precious metals are deteriorating. A sustained period of high and rising prices has eventually filtered through to higher supply. The same factors have also had an adverse impact on price sensitive sectors such as the jewellery market. As such, the surplus for investors to absorb has increased. The ETF disinvestment of early 2011 may have finished, but there has been very little fresh buying and we believe that the majority of institutional interest is now in place. Some investors have already started reducing their positions, either on ETFs or in the OTC market. Once we reach the point at which investment demand is no longer able to absorb the surplus, a case can be made for a downturn in gold prices.

We are therefore projecting an average annual gold price of $1,360/oz in 2011. With the prop of investment inflows potentially much reduced in 2012, there is scope for gold prices to drop further, and we forecast an average price of $1,140/oz. This implies a move towards, or perhaps below, $1,000/oz at some stage during this period.

At the time of writing, silver prices are exceptionally volatile. We are looking for silver to continue its recent decline below $35/oz. Support at $30 should hold in the near-term, and we would expect an average price of between $31 and $32/oz for the year as a whole.

We continue to be constructive towards the outlook for palladium's fundamentals, with the market almost certain to generate another deficit this year. On the supply side, sales from Russian stockpiles may not last much longer. Coupled with investor expectations remaining positive towards industrial commodities, we feel that prices should remain resilient over the rest of the year

For platinum the picture is less rosy. The backdrop of structural oversupply means that the metal will continue to rely on investors absorbing excess production. As far as investors are concerned, we were a little surprised to see such strong support emerge at $1,700/oz during the recent correction, but sentiment towards both main PGMs appears to be positive, and as such we have maintained our projections for 2011 average prices to $1,750/oz for platinum and $800/oz for palladium. Looking further ahead, we continue to expect palladium prices to fare better than platinum, the former maintaining its price gains and the latter receding somewhat, resulting in projected 2012 average prices of $875 and $1,800/oz respectively.

Editor's Note: *Natixis Commodity Markets Second Quarter Metals Review – Precious Metals Outlook* is published by Natixis Commodity Markets Limited, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA, United Kingdom.

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Nevada Geothermal Leading in the Development of Clean, Renewable Power

Business Plan Combines Strong Management, Properties, Partnerships and Sector Momentum

Nevada Geothermal Power Inc. (NGP) has come a very long way since it acquired its first geothermal energy exploration property in 1993 – today the company has firmly established itself as a leading renewable energy developer with a producing geothermal power plant and five significant exploration projects in the western United States that are quickly advancing toward production.

NGP's strength in the alternative power sector has drawn the close attention of the U.S. government, resulting most recently in a \$98.5-million loan at 4.14% with John Hancock Financial Services as lead lender and the U.S. Department of Energy (DOE) as loan guarantor for 80 percent of the loan amount. NGP was the first renewable power development company to complete a loan guarantee through the DOE's Financial Institution Partnership Program (FIPP), an important initiative for clean energy supported by the 2009 American Recovery and Reinvestment Act.

The company also was awarded a \$58 million U.S. Treasury cash grant last November after its \$250 million Blue Mountain geothermal energy plant went online, and was granted \$3.4 million in cost sharing awards for innovative exploration and drilling from the U.S. Department of Energy for their Crump Geyser and North Valley projects.

"Government support for operating alternative energy companies is making it easier and more affordable for companies like ours to start renewable power plants," says Nevada Geothermal President and CEO Brian Fairbank. "As we continue to solidify our position as a leading geothermal developer, our strategy is to focus on development, growth through acquisition, and maximization of government green energy support programs and funding opportunities."

In September 2010, the company closed a \$10.35 million private placement that will be used to fund further development at its Blue Mountain Faulkner 1 geothermal power plant in Nevada, as well as development of other projects and working capital that will help finance the company's active acquisition program.

In addition, NGP signed an agreement in early November with a wholly-owned subsidiary of Ormat Technologies to jointly develop, build and operate one or more geothermal plants at the Crump Geyser Project with a goal of placing a plant in service before the end of 2013 with an expected generation capacity of up to 30 MW. Ormat designs, develops and operates geothermal and recovered energy-based power plants worldwide.

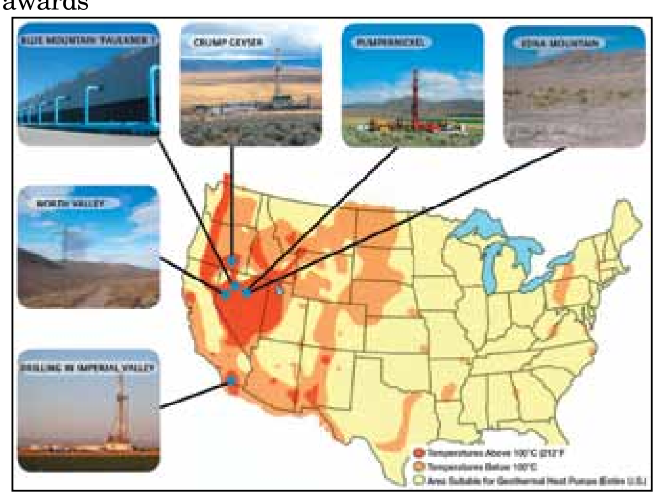
NGP also closed an agreement on June 8, 2011 to purchase 100% ownership of Iceland America Energy, Inc.'s (IAE) geothermal assets comprised of the New Truckhaven, East Brawley and South Brawley projects in the Imperial Valley, Southern California. The Imperial Valley is one of the world's premier geothermal resources occurring over a large area in an active structural belt. NGP believes that a 30-50 MW power plant can be developed for the New Truckhaven resource by the end of 2013.

"The new Imperial Valley projects fit nicely into NGP's business plan and we are looking forward to expeditiously moving these projects ahead" says Mr. Fairbank.

Projects Located in One of World's Most Active Geothermal Regions

NGP holds leasehold interests in four geothermal energy projects in Nevada, one in Oregon and, with the closing of the Iceland America agreement, three in California that collectively have a production potential of upwards of 200 megawatts (MW), enough energy to power a large city of approximately 200,000 homes.

Fairbank says the properties cover some of the best potential high temperature geothermal development sites in Nevada, California and Oregon. Currently, the U.S. is the largest geothermal producer in the world – and the Western U.S. hosts the country's largest geothermal potential.



NGP's properties located in heart of geothermal activity region.

The energy produced by geothermal plants comes from heat produced deep in the earth. The naturally heated water is tapped with production wells drilled as deep as 8,000 feet. When brought to surface, the heated water is flashed to steam, which is used to drive power turbines. The clean, renewable energy is produced at a much higher efficiency rate (95-98%) when compared to energy produced by coal and hydro power (65%) or by solar and wind (30%). Unlike solar and wind, geothermal energy is available 24 hours a day and no fuel is required in the geothermal production process that yields virtually no emissions.

Growing Pipeline of Clean Energy Geothermal Production Properties

NGP's Faulkner 1 plant started generating revenue for the company a year ago. The binary cycle, closed system, 49.5 MW capacity power plant produces electricity without releasing any steam plumes. Drilling of additional wells to optimize plant output has been completed and testing is underway.

The company also plans to bring its other properties to production:

- **Blue Mountain** – Currently producing an average of 37 MW under a 20-year power purchase agreement with NV Energy. NGP continues to work with consultant, GeothermEx Inc. and its lenders to develop an up-to-date outlook for power production. The 17.2 square mile property's resource is close to surface with easy road access.
- **Crump Geyser** – An 11.25 square mile property in Oregon that has the potential to produce between 40 and 80 MW. NGP and Ormat are to jointly develop, build and operate a 30 MW plant at Crump Geyser by the end of 2013.
- **Pumpernickel** – 10.34 square mile Nevada property has the potential to produce between 15 and 33 MW. Two production wells are planned to establish project feasibility. Ormat Technologies holds a right of first refusal to construct the power plant at Pumpernickel, which has the ability to interconnect to the local transmission grid at three separate points.
- **North Valley** – Located in Nevada's most prolific power-producing area, the property has a larger heat anomaly than Blue Mountain and is believed to have the potential to produce up to 126 MW from a near-surface resource. The company plans delineation drilling to confirm the discovery well.
- **Edna Mountain** – Exploration property in the Pumpernickel Valley, an area with significant evidence of past and present hydrothermal activity, was acquired in May 2010. The 12 square mile property lies only a few miles northeast of the company's Pumpernickel project and has significant evidence of hydrothermal activity.

The Pumpernickel, Crump Geyser and Blue Mountain expansion projects are at the development drilling stage with drilling permits in hand and these will be the next projects to advance through feasibility to new power production. Total capacity is expected to reach 130 MW in the next three years with the possibility of further build out programs.

NGP recently acquired assets from Iceland America - **Truckhaven, East Brawley** and **South Brawley**. With the properties located in the Imperial Valley, California, one of the world's premier geothermal areas, NGP believes that a 30-50 MW power plant can be developed for the New Truckhaven resource by the end of 2013.

Management Team of Proven Industry Leaders

NGP's management team encompasses a diverse group of proven industry leaders who have recognized expertise in finance, project generation, resource development, project development, construction and plant operations.

Brian Fairbank Canada's foremost geothermal expert, has over 30 years of experience in geothermal engineering, drilling field development, business management and project finance.

CFO Andrew Studley has 25 years experience in all areas of corporate planning, accounting, finance and administration, including with energy companies. Max Walenciak, Senior VP of Operations and Development, has 30 years experience in both geothermal and gas-fired power plants, including planning, construction operations and maintenance. Kim Niggemann, the company's VP of Resources has 20 years experience in resource exploration, drilling, reservoir evaluation, environmental assessment, permitting and leasing.

The company's Board of Directors includes Markus Christen, a highly experienced investment and commercial banker responsible for raising over $50 billion internationally for projects including geothermal plants. Director Dominic Falcone, a founder of Geothermal Resources International Inc., has played a significant role in building the geothermal industry in the U.S.

Investment Considerations

NGP is positioned to solidly advance in an industry that promises to provide a plentiful, efficient and low-cost source of clean, renewable energy. To that end, the company's strong financial foundation will allow it to aggressively acquire additional geothermal properties.

Recently, the company was named to the 2011 TSX Venture 50®, which ranks Canada's top emerging public companies.

"This has been a banner year for NGP as we transitioned from a developer to a significant power producer with the opening of the Blue Mountain Faulkner 1. We expect to increase our power output significantly in the next decade," says Mr. Fairbank. "Our mission is to become a principal supplier of geothermal energy in North America and lead the effort to meet the world's burgeoning demand for renewable, cheaper power."

NGP
NEVADA GEOTHERMAL POWER

NEVADA GEOTHERMAL POWER INC.
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Shares Outstanding: 116.3 million
52 Week Trading Range
(as of Feb. 28, 2011):
U.S.: Hi: $0.88 • Low: $0.20
Canada: Hi: C$0.88 • Low: C$0.20

Barter Economy

Continued from page 1

eGold was perhaps the better known of the two until it, too, was shut down by the US government on charges of money laundering. eGold was positioned more as an online payment system than a means of holding bullion. Due to the anonymous nature of the transactions – it was akin to spending cash – the authorities alleged that it was being used by criminal enterprises to funnel illegal funds. But mostly it was being used by regular people to begin saving and trading in money that holds its value. eGold had a transparent system of annual audits and live transaction screening by any user to keep the system honest. It, too, was growing robustly, and was putting up strong competition against PayPal until the authorities intervened.

GoldMoney, founded by my friend James Turk, has remained in operation by keeping its principal operations overseas and by cooperating fully with onerous US financial regulations. It offers similar services to eGold, but with an emphasis on long-term storage. GoldMoney improves upon traditional storage by locating offshore, offering real-time online account access, and providing extra liquidity. These services do come at a cost, however. Still, over the course of the last decade, GoldMoney has swelled to over $2 billion in assets. Clearly, many people want to trade gold and silver over US dollars.

Digital gold is a niche service, but I think the public's rapid embrace of these projects – none older than ten years – shows that investors are viewing gold and silver as more than mere commodities, but once again seeing them as money. This could signal a paradigm shift back to tradition, which is good news for any precious metals holder.

Straight Up Barter

While digital currencies are neat, in practical terms, nothing beats the resilience of traditional barter of bullion for goods and services. If you actually own the physical gold and silver that you intend to save or trade, then you can be sure it will be there until you're ready to sell. You don't have to trust anyone except yourself.

In that vein, several efforts have popped up around the country to simply get people trading gold and silver rather than dollars. Since the transactions involved are usually small, such as buying lunch at a local diner, silver is typically the metal of choice.

There are several hotspots for this sort of activity.

Philadelphia has one group, DelValley Silver, that has fostered a local barter market there by encouraging merchants to accept silver coins in addition to dollars. DelValley is also a silver dealer, but they sell privately minted rounds, which can be harder to liquidate than well-known coins like the American Gold Eagle and Canadian Maple Leaf.

Meanwhile, in New Hampshire, many merchants associated with the Free State Project have begun accepting gold and silver at their businesses. Innovation abounds here and the practice of encasing small amounts of silver in laminated cards seems to be the most successful.

Shire Silver encloses silver and gold wire in their cards and measures them in terms of grams. It's much easier to trade a flat, plastic card containing a gram of silver than to carry around a 1 oz coin. However, even their website will admit that the premium on such a small amount of silver makes it less than ideal for investment purposes. Of course, when you're ready to barter, they'll be happy to take your 1 oz rounds in return for some Shire Silver. And that Shire Silver is being accepted by more and more merchants across New Hampshire and beyond.

Another variation, from a group based in Phoenix, Arizona, encloses a pre-1965 US dime inside the laminated card. Before '65, every dime contained 90% silver, making them worth about $2.50 each in today's debased dollars. That's why you won't find any pre-'65 dimes in your change from the grocery store. However, one fellow had the clever idea of putting them in these cards so they could trade at their silver value without getting mixed in with the worthless dimes we carry around today. The same group even created a free iPhone app that translates US dollar prices into various amounts of silver (more info here).

While I'll still be selling regular old bullion coins and bars at Euro Pacific Precious Metals, because these are the best way to invest in physical precious metals, I am energized by these efforts. The great thing about holding and bartering physical precious metals is that there is no central company running the operations, like with the digital gold currencies, and therefore there's no single person the government can go after.

(My new offshore bank, Euro Pacific Bank, Ltd., will soon be offering Visa-branded debit cards back by individual holdings of gold or silver. Euro Pacific Bank customers will be able to purchase gold from the bank, have it stored, and then access their holdings directly using their Visa cards to either make purchases though merchants or withdraw cash from banks and ATMs. Unfortunately, due to the reasons described above, I cannot offer this service to US customers. For more information about my offshore brokerage and banking companies, please visit www.europacintl.com.)

The Writing is on the Wall

Besides these grassroots efforts at building barter communities, I'm seeing a cultural shift in favor of precious metals. Utah recently passed a law establishing gold and silver as legal tender and abolishing state capital gains taxes on their appreciation. I was interviewed for a new animated film called Silver Circle that features a rebel group in the near future which mints silver coins in defiance of an even more aggressive Federal Reserve. More and more people are starting to watch the gold price as often as they watch the Dow.

Overall, this bodes well for our investments and for our country. If gold and silver are successfully re-monetized, our children may know a rate of economic growth not seen since our great-grandparents were in their prime. And prices may never return to today's levels again.

Editor's Note: Peter Schiff is CEO of Euro Pacific Precious Metals, a gold and silver dealer selling reputable, well-known coins at competitive prices. To learn about his products and policies, visit www.europacmetals.com or call (888) GOLD-160.

For the latest gold market news and analysis, sign up for *Peter Schiff's Gold Report*, at www.europacmetals.com

RESOURCE STOCKS: GOLD, SILVER & OIL & GAS SHARES

Steven Halpern's THESTOCKADVISORS.COM

Each day, editor Steven Halpern posts timely and insightful commentary, market outlooks and specific stock and fund recommendations from the nation's top newsletter advisors on TheStockAdvisors.com. Here are a few recent postings.

Silver Wheaton: 'Destined for great things'

Jack Barnes, contributing editor *Money Morning*, www.moneymorning.com: "Silver Wheaton (SLW) recently announced another blowout quarter, and despite the recent pullback in the silver market, this company is destined for greater things.

The stock has surged nearly 28% since our initial buy in October, 2010 – but that's just the beginning. In fact, at current prices, the stock is a screaming 'buy'.

Silver Wheaton's first quarter rewrote the record books. In its first-quarter earnings statement, the company reported:

- Revenue was up 84% to a record $158.2 million.
- Net earnings increased 142% to a record $122 million.
- Production was up 10% year-over-year.
- And the board of directors approved an inaugural quarterly dividend.

Net earnings jumped 142% to $122 million, or 35 cents per share, compared to $57 million, or 15 cents a share, in the year earlier period.

Net realized purchased production rose by 10% year-over-year, and management indicated that it expects to see an 85% increase in the production of silver equivalent ounces over the next five years as major new mines come online.

In fact, Silver Wheaton is feeling so comfortable with its future that it's started paying a quarterly dividend. The initial payout has been set at 12 cents per year.

While this is low in nominal terms, it will make the company available to all of the mutual funds that require their equity positions have a steady dividend.

It is clear from these results and the management's optimism that Silver Wheaton is embracing its role as the world's largest buyer of silver streaming contracts.

It has built a network of global silver investments and is now involved in three of the four largest silver deposits on the planet.

Its portfolio of world-class assets includes silver streams on Goldcorp's Peñasquito mine in Mexico and Barrick Gold's Pascua-Lama project straddling the border of Chile and Argentina.

Silver Wheaton produced more silver in the first quarter than it sold, but this was due to the timing of concentrate shipments from a couple of large mines.

This means that in the future, Silver Wheaton will have another large surprise for its investors, as this "overproduction" is sold into the market. In fact, it is my belief that these extra ounces of silver were sold in the second quarter, just as prices spiked.

While we won't know for sure until this summer, the lagging sale of these items has the company poised to provide an upside surprise.

This gives anyone who missed the blue-sky break out a chance to pick up shares of Silver Wheaton now. In fact, given the company's first-quarter earnings results, I feel comfortable putting an open ended "Buy" recommendation on this stock."

Commodity favorites: Metals & energy

Martin Hutchinson, contributing editor *Money Morning*, www.moneymorning.com: "The preconditions for strong commodity prices are still in place. And at present levels, a number of commodity and energy-producing shares are stone-cold bargains.

Here are some of my favorite plays in the gold, silver, iron-ore and oil commodities sectors: **Yamana Gold** (AUY), **Silvercorp** Metals (SVM), **Cliffs Resources** (CLF) and **Suncor Energy** (SU).

Yamana Gold is my favorite gold miner, and with good reason. The Toronto-based gold producer earned 20 cents a share in the first quarter.

Its forward P/E ratio on 2012 earnings is an estimated 10.5 – not at all overly aggressive rating for a miner that is steadily increasing production and pays a dividend.

Silvercorp Metals is my favorite silver player. The Vancouver-based player's mines are concentrated in China, and its silver-extraction costs are actually a negative $6 per ounce (yes, you read that right) because of profitable sales of byproducts.

The company's stock closed Monday at $8.72 a share – down 47% from its 52-week high of $16.32. Silvercorp is a classic case of a mine whose share price has been knocked back by almost half and is now a bargain, with a forward P/E of 12.

Chinese investors are currently major purchasers of silver, and I think both the metal itself and Silvercorp shares are undervalued.

With its substantial operations in Australia, the gateway to the long-term growth we see for China, coal-and-iron-ore producer Cliffs Resources is a company I like very much.

The Cleveland-based firm has grown its earnings very rapidly in recent years, and its shares are currently 15% off their highs at a forward P/E of only 5.9.

With its major holdings in Canada's Athabasca tar sands, the Calgary-based Suncor Energy is a terrific play on oil prices.

That's especially true because the tar sands are already highly profitable – and become an outright bonanza when oil prices traverse the $100-a-barrel barrier.

Suncor shares are trading at 14 times trailing earnings and 10 times forward earnings, and offers a modest dividend yield, meaning the stock is currently very reasonably priced."

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www.aurasilver.com

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Canada's Newest Gold Producer, Expects $30 Million Profit by Fall
www.barkervillegold.com

Batero Gold Corp.
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www.baterogold.com

Great Panther Silver Limited
Fast-Growing Silver Producer Based in Mexico
www.greatpanther.com

Inter-Citic Minerals Inc.
Exploring One of China's Largest Undeveloped Gold Resources
www.inter-citic.com

Lucas Energy Inc.
Public Oil & Gas Company; Focused on Texas Oil Fields
www.LucasEnergy.com

Latin American Minerals Inc.
Exploring Potential New Gold District in Paraguay
www.LatinAmericanMinerals.com

Mines Management Inc.
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Nevada Geothermal Power
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Romios Gold Resources Inc.
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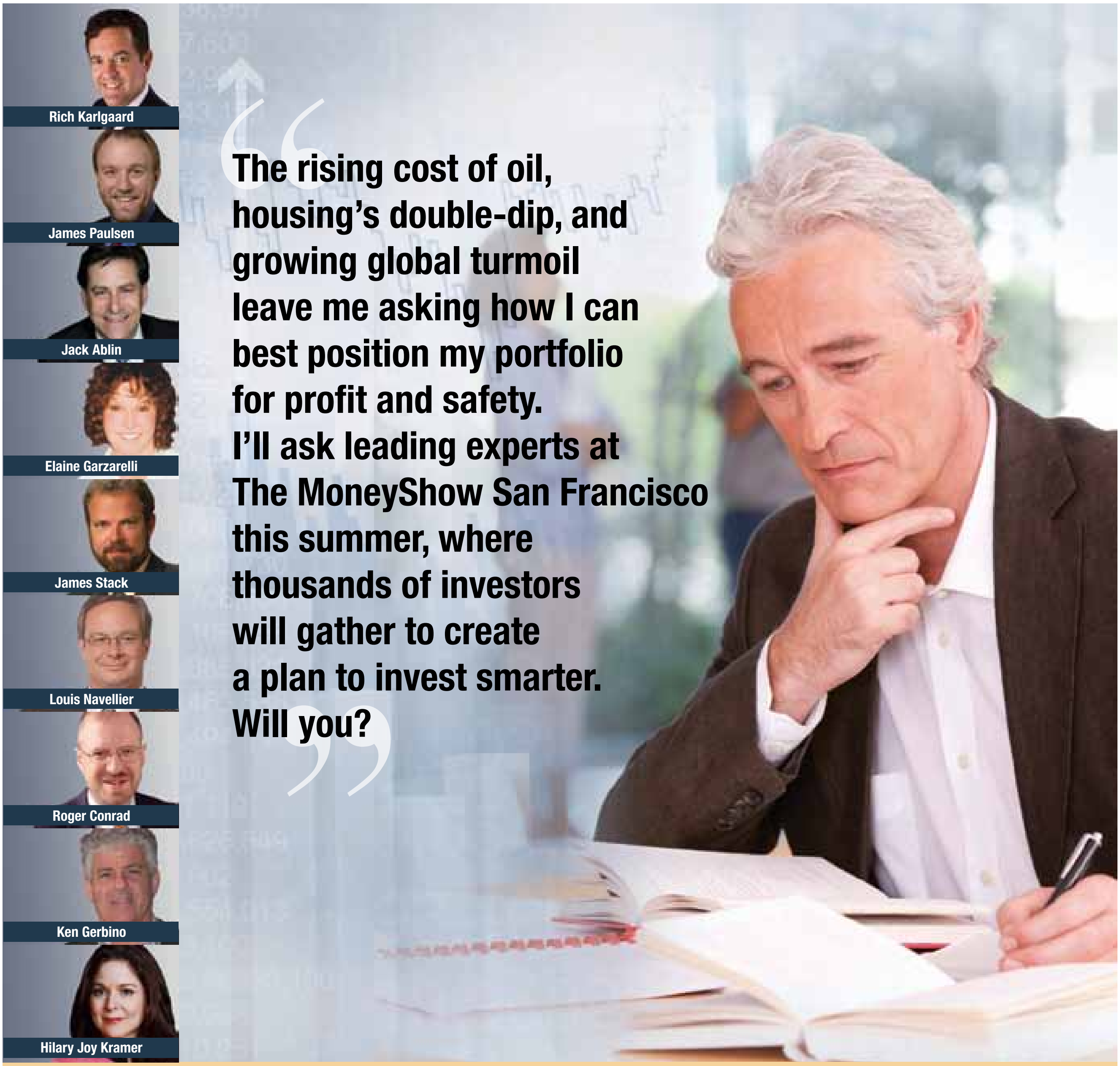
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