Growth Stocks Weekly

www.gsweekly.com

Publisher: Diversified Financial Solutions, Inc. ~ **Since:** May, 1995 ~ **Editor:** Richard Reinhard ~ **E-Mail:** rreinhard@shaw.ca

----

Performance: 1996 **116.9%**; 1997 **28.1%**; 1998 **36.4%**; 1999 **39.4%**; 2000 **180.9%**; 2001 **-50.5%**; 2002 **18.7%**; 2003 **28.8%**; 2004 **166.7%**; 2005 **28.2%;** 2006 **153.3%;** 2007 **8.8%;** 2008 **–25.2%**

Vol. 13 No. 1

Portfolio Review Edition

April 30, 2008

(All $Cdn unless noted)

Current Model Portfolio

Entry Dates	Units	Positions	Ticker	Average Cost	Current Price	Current Value $	Gain/ (Loss)
4/06, 11/06	200,000	Arian Silver	AGQ-TSXv	0.273	0.265	53,000	-3%
01/08	100,000	Bankers Petroleum	BNK-TSX	0.825	1.560	156,000	89%
10/04, 3/05	50,000	Bankers Pete $0.95 Wts exp 10Nov09	BNK.WT-TSX	0.905	0.660	33,000	-27%
2/07, 11/07, 03/08	250,000	Bayou Bend Petroleum	BBP-TSXv	0.666	0.440	110,000	-34%
3/03, 10/04, 8/05, 3-9/06, 4/07, 7-9/07, 1/08	2,477,500	Bell Resources	BL-TSXv	0.382	0.390	966,225	2%
08/07	50,000	Benton Resources	BTC-TSXv)	0.915	0.440	22,000	-52%
2/05, 7/05	125,000	Bravo Venture Group	BVG-TSXv	0.256	0.330	41,250	29%
11/06	40,000	Coastport Capital	CPP-TSXv	0.885	0.105	4,200	-88%
11/06	100,000	Crescent Resources	CRC-TSXv	0.500	0.105	10,500	-79%
11/02, 1/03, 10/03, 5/05	27,500	Entrée Gold Inc.	ETG-TSXv	0.812	1.460	40,150	80%
05/04, 06/04	10,000	Endeavour Mining Capital	EDV-TSX	2.404	6.800	68,000	183%
02/06	25,000	European Minerals $1.55 exp 21Mar11	EPM.WT.B	0.000	0.310	7,750	N/A
11/05, 1/06, 2/06, 6/06, 10/06	420,000	Fortune River Resources	FRX-TSXv	0.433	0.380	159,600	-12%
2/08, 4/08	75,000	Geovic Mining Corp	GMC-TSX	1.234	1.480	111,000	20%
4/06	12,500	Geovic Mining $5.00 Wts exp 27Apr12	GMC.WT.B-TSXv	0.000	0.270	3,375	N/A
06/07	75,000	Goldquest Mining	GQC-TSXv	1.380	0.395	29,625	-71%
12/02, 10/03, 5/04, 5-12/05, 5-8/06, 1/07	3,058,500	Grandcru Res Corp	GR-TSXv	0.159	0.085	259,973	-46%
03/07, 03/08, 04/08	50,000	Hathor Exploration	HAT-TSXv	1.954	2.050	102,500	5%
01/06	60,000	Impact Silver Corp	IPT-TSXv	0.433	1.270	76,200	193%
04/08	200,000	Kadywood Capital	KDC.H-TSXv	0.300	0.360	72,000	20%
04/08	40,000	Kadywood Capital $0.10 Wts exp 21Apr09		0.000	0.260	10,400	N/A
01/06, 12/07	250,000	Lero Gold Corp	LER-TSXv	0.394	0.870	217,500	121%
10/05, 2/06, 6/06	100,000	Lynden Ventures	LVL-TSXv	0.765	1.500	150,000	96%
02/08, 04/08	100,000	Mega Silver	MSR-TSXv	1.524	1.000	100,000	-34%
10/03	95,000	New Sage Energy	NSG-TSXv	0.125	0.200	19,000	60%
02/06, 03/06	100,000	Orko Silver Corp	OK-TSXv	0.380	1.630	163,000	329%
08/07, 01/08	450,000	Peak Gold Corp	PIK-TSXv	0.503	0.710	319,500	41%
02/07, 04/07	175,000	Peak Gold $5.00 wts exp 03Apr12	PIK.WT-TSXv	0.234	0.135	23,625	-42%
07/05	25,000	Radius Gold	RDU-TSXv	0.950	0.265	6,625	-72%
05/07, 08/07, 04/08	100,000	Rusoro Mining	RML-TSXv	1.864	1.110	111,000	-40%
1-5/05, 10/05, 1/06, 1/07	275,000	Southern Silver Exploration	SSV-TSXv	0.415	0.200	55,000	-52%
1/07	50,000	Southern Silver Expl $0.60 Wts exp 24Feb09		0.000		0	
05/06	20,000	Strateco Resources	RSC-TSXv	1.380	1.730	34,600	25%
09/04	50,000	Terra Nova Gold	TGC-TSXv	0.303	0.065	3,250	-79%
04/06, 04/08	200,000	Transeuro Energy Corp	TSU-TSXv	0.493	0.240	48,000	-51%
07/05	10,000	UEX Corporation	UEX-TSX	2.750	3.400	34,000	24%
4/06, 11/06, 01/07, 05/07	150,000	Uracan Resources	URC-TSXv	0.785	0.320	48,000	-59%
05/07	12,500	Uracan Res $1.25 Wts exp Jun09		0.000		0	
04/08	30,000	Westward Explorations	WWE-TSXv	0.410	0.400	12,000	-2%
1/04, 3/04, 5/05, 3/06, 4/06, 4/07	325,000	Yale Resources	YYL-TSXv	0.242	0.235	76,375	-3%
		Cash Credit (Debit)				741,825	
		Portfolio Value (NAV)				4,500,048	

Value @ May 1, 2007	$6,016,526
Year-to-date NAV Growth	-25.21%

Review of Portfolio Changes

May 1, 2007 – April 30, 2008

Company Name	Comments	Date
Westward Explorations (WWE-TSXv)	Bot 30,000 shares @ $0.41 average	25-30-Apr-08
Rusoro Mining (RML-TSXv)	Bot 50,000 shares @ $1.068	30-Apr-08
Kadywood Capital (KDC.H-TVXv) (old PIZ.H)	Bot 100,000 shares @ $0.378	22-Apr-08
Hathor Exploration (HAT-TSXv)	Stop-loss, sold 50,000 shares @ $2.475	23-Apr-08
Kadywood Capital (KDC.H-TVXv) (old PIZ.H)	Bot 60,000 shares @ $0.345	22-Apr-08
Kadywood Capital (KDC.H-TVXv) (old PIZ.H)	Bot 40,000 units @ $0.05 per unit	17-Apr-08
Mega Silver (MSR-TSXv)	Bot 50,000 shares @ $1.1675 average	16-21-Apr-08
Transeuro Energy (TSU-TSXv)	Bot 175,000 shares @ $0.235 average	10-Apr-08
Oriel Resources (ORL-TSX)	Sold 150,000 shares @ $2.175 average	09-Apr-08
Geovic Mining (GMC-TSXv)	Bot 40,000 shares @ $1.10	04-Apr-08
Pacific Asia China Energy (PCE-TSXv)	Sold last 25,000 shares @ $0.365	08-Apr-08
Geovic Mining (GMC-TSXv)	Bot 40,000 shares @ $1.10	04-Apr-08
European Minerals (EPM-TSX)	Sold 200,000 shares @ $0.956 average	04-Apr-08
Hathor Exploration (HAT-TSXv)	Bot 25,000 shares @ $1.965 average	03-Apr-08
Bayou Bend Petroleaum (BBP-TSXv)	Bot 150,000 shares @ $0.566 average	28-31-Mar-08
Hathor Exploration (HAT-TSXv)	Bot 50,000 shares @ $2.05 average	06-Mar-08
Oriel Resources (ORL-TSX)	Bot 25,000 shares @ $2.05 average	03-Mar-08
Uranium One (UUU-TSX)	Sold 20,000 shares @ $4.89	25-Feb-08
Uranium One (UUU-TSX)	Bot 10,000 shares @ $4.96, 10,000 shares @ $4.65	22-25-Feb-08
Uranium One (UUU-TSX)	Sold 10,000 shares @ $5.29	21-Feb-08
Uranium One (UUU-TSX)	Bot 10,000 shares @ $5.00	21-Feb-08
Mega Silver (MSR-TSXv)	Bot 50,000 shares @ $1.88 average	4-21-Feb-08
Geovic Mining (GMC-TSXv)	Bot 35,000 shares @ $1.388 average	10-13-Feb-08
Bankers Petroleum (BNK-TSX)	Bot 100,000 shares @ $0.825	31-Jan-08
Bell Resources (BL-TSXv)	Bot 82,500 shares @ $0.33	22-Jan-08
Peak Gold (PIK-TSXv) (old IPG.H / GPJ.H)	Bot 150,000 shares at $0.52 average	09-Jan-08
Peak Gold (PIK-TSXv) (old IPG.H / GPJ.H)	Bot 100,000 shares at $0.51 average	08-Jan-08
Lero Gold (LER-TSXv)	Bot 75,000 shares @ $0.73 average	11-24-Dec-07
Lero Gold (LER-TSXv)	Bot 75,000 shares @ $0.25	10-Dec-07
Bayou Bend Petroleum (BBP-TSXv)	Bot 60,000 shares @ $0.56 average	21-Nov-07
Geovic Mining (GMC-TSXv)	Sold 75,000 shares @ $2.78 average	14-Nov-07
Grandcru Resources (GR-TSXv)	Bot 320,000 shares @ $0.095 average	17-21-Sep-07
Bell Resources (BL-TSXv)	Bot 200,000 shares @ $0.393 average	17-21-Sep-07
Northern Orion (NNO-TSX)	Stop-loss, sold 10,000 shares at $5.98 average	12-Sep-07
Northern Orion (NNO-TSX)	Sold 15,000 shares at $6.22 average	07-Sep-07
Benton Resources (BTC-TSXv)	Sold 50,000 shares at $1.50 average	06-Sep-07
Peak Gold (PIK-TSXv) (old IPG.H / GPJ.H)	Bot 100,000 shares at $0.455 average	30-Aug-07
Northern Orion (NNO-TSX)	Bot 25,000 shares at $4.59 average	21-Aug-07
Rusoro Mining (RML-TSXv)	Bot 13,200 shares @ $1.85	17-22-Aug-07
Benton Resources (BTC-TSXv)	Bot 100,000 shares at $0.915 average	17-Aug-07
Peak Gold (PIK-TSXv) (old IPG.H / GPJ.H)	Bot 100,000 shares at $0.525 average	16-Aug-07
VRB Power (VRB-TSXv)	Sold 100,000 shares at $0.37 average	09-Aug-07
Bell Resources (BL-TSXv)	Bot 145,000 shares @ $0.51	09-Jul-07
Northern Orion (NNO-TSX)	Sold 25,000 shares at $6.15	20-Jun-07
Goldquest Mining (GQC-TSXv)	Bot 25,000 shares @ $1.25	08-Jun-07
Goldquest Mining (GQC-TSXv)	Bot 50,000 shares @ $1.45	07-Jun-07
Uracan Resources (URC-TSXv)	Bot 25,000 unit PP @ $0.95/unit (1/2 warrant @ $1.25 - 2 yrs)	28-May-07
Terrane Metals (TRX-TSXv)	Sold 75,000 shares @ $0.715 avg upon financing announcement	23-May-07
Peak Gold (PIK-TSXv) (old IPG.H / GPJ.H)	Sold 225,000 shares @ $0.87 average	11-May-07
New Sage Energy (NSG-TSXv)	Sold 25,000 shares @ $0.50	08-May-07
Rusoro Mining (RML-TSXv)	Bot 36,800 @ $2.95	07-May-07
Peak Gold (PIK-TSXv) (old IPG.H / GPJ.H)	Sold 325,000 shares @ $0.865 average	3-7-May07

The State of the Union

Lately it seems that the Dow wants to head higher, while gold wants to go down. Subscribers will note that these trends are opposite to the way we think things ought to be going. For the entire decade, we've been long mostly Canadian-based precious metals, energy and resources, and negative on the American dollar. Unless we lose all our money or think of a convincing reason to change, we'll be staying in that position for the rest of the decade too.

Bernanke's latest move brings the count to seven rate cuts in seven months. The Fed did what it was widely expected to do – it lowered rates by 25 bps, bringing the key Fed lending rate down to 2%, or about half the rate of consumer price inflation. The US dollar index has fallen over 12% in those seven months, although more recently the dollar has attempted a rally. It is not a sustainable situation of course. Lending money at half the rate of inflation is a sure way to go broke.

Of note, not everyone voted for this rate cut. Two of the Fed officials dissented. They wanted to hold rates where they were. The majority (eight others) overruled those objections so the Fed cut by 25 basis points. The thinking is that because rate cuts take about 6 months to show their effect on the economic statistics, the Fed needs to take care not to overshoot and inadvertently cause yet another unsustainable bubble somewhere.

This may well have been the very last cut unless the economy contracts significantly more than it already has. And with GDP expanding a hair as of this week's reading and some inflation gauges edging higher (like Bernanke's favored PCE Deflator) it just seems likely he's going to hold rates steady and not cut any more, barring some unforeseen catastrophic event. Then he's likely going to be forced to start raising rates, sooner than anyone thinks.

Americans meanwhile, (and the government is the worst) continue to live beyond their means. The debt bubble has only been partially deflated. The people who run America's central bank and its central government seem hell-bent to try to avoid the pain that comes with the massive (as in "bubble-creating") misallocation of investment capital.

If you believe that the Bernanke Fed and the Bush administration have won the battle, that they can just drop dollars from helicopters to fix the system, that maybe they've succeeded in keeping the economy growing, please read no further – we don't believe it for a second. To think that the dollar will now start to strengthen, and that maybe gold will end up under $300 per ounce – that this is now the trend – is simply counter to all the evidence at hand.

This week the US government's "rebate" program began sending money they don't have to people who didn't earn it. It's designed to encourage consumers - who've been over-spending for years - to spend some more. Also, the Fed's latest interest rate cut down to 2% was thrown in for good measure. Darn that those credit card interest rates are so sticky! And mortgages not only went up - they're much harder to qualify for!

The Fed has pushed $200 billion in new cash and credits into the marketplace, cut rates seven times, and takes pretty well any paper that has gone "no bid" as collateral security from insolvent firms requiring liquidity. It will now lend to brokerage firms as well as banks. It has no interest in protecting the value of the dollar; they are desperately trying to avoid a serious correction.

Current speculation is that 2% will probably mark the end of the Fed's rate cuts, now that markets have calmed somewhat. With no more rate cuts in sight, and an economy that apparently survived the crisis, speculators figured it was time to lighten up on precious metals, and so down we went, magnified by the sheer size of hedge fund influence. The price of gold at the $820-$850 area will likely mark technical support – and is a typical 17% to 20% correction.

Meanwhile, for Americans, not much has changed in the world. Oil is still well over $100 per barrel, and unemployment has reached a four-year high. Consumer prices are spiraling higher as goods become scarce. The Chinese economy is still booming with the manufacturing sector reportedly expanding at a record rate. Emerging market demand is so strong, it is holding key commodity prices up - even as demand from the US eases off. In America, people are switching to smaller cars, but in other places, they're buying so many new cars that gasoline use is still rising well beyond supply.

Bernanke will now have to deal with inflation, given that the bell-weather stock market has been stabilized. That should bring some strength back to the US dollar over the coming months. However, in the long run, many Asian

currencies will continue to dominate the dollar (such as the Singapore dollar, Taiwan dollar and Chinese yuan), as by most measures they remain undervalued.

So, the picture seems to be cautiously changing, at least with regards to investor sentiment. We have likely not yet seen the worst of the credit crisis and housing crash, which will probably be felt for many years to come if history is any guide. Yet the Dow has broken out and is holding above the technically important February high of 12743, and the Transports, which led the way, have confirmed this. We are now seeing the Dow break out above the psychological level of 13,000.

Technically, there doesn't seem to be any strong pressure to sell. Yes, the market backs off, it will tumble down for a day or so, but we don't sense any big urge to unload stocks. Furthermore, the new lows are drying up on days when the market declines. A really powerful downtrend will produce an increasing number of stocks breaking support and sinking to new lows. So far, or ever since January 22, that hasn't been happening.

Several market strategists and economists think we may have seen the bottom and are stabilizing as the unprecedented interventions and massive injections of liquidity of the Fed and other central banks take effect. Could we be at the beginning of a worldwide market rally led by the Dow Industrial Average? Is it possible these highly respected analysts who are carrying on the debate about the effectiveness or lack of effectiveness of the central bank measures are missing the beginnings of a powerful sea-change in investor sentiment?

There are many fundamental influences to support the change in market sentiment that we believe we are witnessing. While the US is probably in a recession, the market looks forward 6 to 12 months, and is an indicator of future economic conditions. The market may be hinting that the credit crunch induced recession will end in another 6 to 12 months.

We believe that the new worldwide drivers of prosperity have never been in a slump, just in the US. The economic movement to increase quality-of-life and infrastructure in the BRIC countries (Brazil, Russia, India and China) and other emerging markets certainly has never stopped. In addition, we see a tidal wave of central bank-created liquidity heading towards the markets. And obviously, low interest rates are good for business.

Our friends over at Canaccord Capital, who are not only careful observers of world economies but have a particularly keen eye for the commodity sector, have commented, “Never fight an aggressive easing of the Fed because that environment invariably leads to strong returns.” A couple of weeks ago they said, “we find the S&P 500 to be 49% undervalued - as undervalued as it has been at any point in the last 29-years - based on the assumption that it is fairly valued when earnings are the same as 10-year Treasury yields.” They see the potential for 10-20% gains in the next year or so in the major North American indices.

If that happened we would see a revival in liquidity and especially share prices in the junior markets, which have suffered disproportionately greater than the so-called Blue Chips. Many of these companies could certainly use some reviving, but fundamentally they mostly continue to build on their business plans and aggressively prove up their in-ground assets. The combination of a strong market along with genuinely good corporate news could trigger a junior resource market rally well into 2009. Rallies in every sector tend to go longer and farther these days than rationality predicts; sovereign and hedge funds will often help magnify and accelerate these trends.

We have been witness these last few months to massive financial devastation caused by greed, indifference and malfeasance. Some of what has already been caused, and perhaps the worst of it, has yet to be publicly disclosed. In fact, we may still experience more market disruption, as the ramifications of the credit crisis become known. But the speculative excess and punters have clearly been wrung out of the market.

We believe that the same measures the central banks have taken to induce prosperity in the short or medium term may well bring about greater problems that will be even more difficult to deal with than the recent credit crisis. We like gold and silver as long-term insurance against these potentialities, about which we have been writing in this newsletter since 2001. Such potentialities include uncontrollable inflation or deflation, the further deterioration of the US dollar, stagnant/declining markets or some ugly combination of them all as massive debt gets flushed out of the system.

Very few people in the US have experienced a steeply deflationary environment; it leaves a lasting psychological mark on people. We may have peered over that precipice when Bear Stearns got into trouble. Allowed to continue, it could have caused extremely serious problems throughout the economy in the US and by repercussion, throughout the world. Fed chief Ben Bernanke, a life-long student of the Crash of ’29 and the Great Depression, acted swiftly and decisively over a weekend to put a finger in the dike, and seems willing to aggressively err on the

side of accelerating inflation – to avoid deflation. We need only look to Japan to see why, where real estate and the stock market are still at a fraction of the highs set two decades ago.

Amidst all the headline concerns we see many influences on the horizon which may cause substantial disruptions in world markets, and opportunities for alert individuals. We see continued commodity demand while most are focused on the potential for price declines. Governments are increasingly demanding bigger cuts of resource revenues, causing miners to delay “greenfield” projects. Delays in permitting, delays in equipment availability, lack of availability of qualified personnel, and a multiplication of mining costs are choking new metal supply. We see the El Nino-induced drought in Chile reducing the availability of cheap hydroelectric and crimping copper production of the world’s largest supplier. We see a rapid depletion of petroleum reserves and the effects of “peak oil”, while rapidly expanding demand is driven by a flood of cheap cars in China and India.

The investment community will need to pay a premium for in-ground petroleum resources as the markets come to the realization that there is not enough oil to go around. Similarly, we will see major upside pressure on food prices caused by population increases, demand for meat by those new millions pursuing a higher quality of life, and the inefficient misallocation of using food crops for the making of bio-fuels. We are already witnessing food riots around the world, and, in order to preserve lower prices for their citizens, countries like Egypt, Thailand and the Ukraine are banning grain exports.

Ultimately, there will be a rush to find non-food sources for bio-fuels and new, more efficient ways to grow food. It’s already starting to look like we may have escaped the dire consequences to the world economy caused by the credit crisis. While we would not rule out another test of the bottom, we think its time to start bottom-fishing amongst the debris created by the credit crisis, its “cures”, and intensifying governmental, environmental, and lifestyle-driven influences - particularly in the resource-sector micro and small-caps.

The Commodity Boom Continues

We believe that we are setting up for what will become the “mania” phase of this commodities secular bull market. We made the easy money during the early “stealth” phase when no one was looking. The so-called “wall-of-worry” phase with its deep corrections and manic-depressive behavior must be seen as opportunities to buy the dips.

It’s not only about China. Brazil is booming. Its bonds were upgraded this week. Now, they’re considered investment quality. The Brazilian currency is rising against the US dollar. Exports have tripled in the last five years. The country is now a net creditor with the rest of the world – with $171 billion in reserves. And its stock market is the best-performing major market in the world this year.

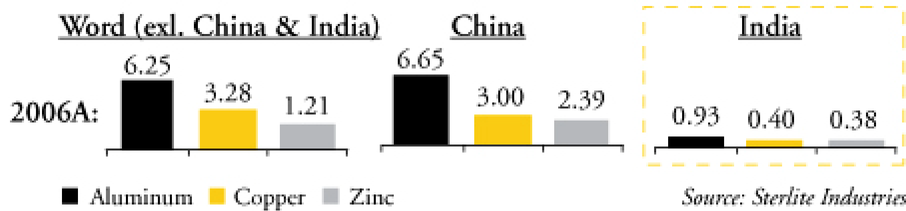
The price of commodities swept higher again in late February. Only two months into the year and natural gas was up 26 percent, coal up 56 percent and platinum up 41 percent. We know there is tons of this stuff on the planet, but the trouble is that you have to know how to find it, get to it and dig it out. As global demand explodes for nature’s riches, it takes time for the market to deliver the goods.

Copper and aluminum are within striking distance of all-time highs. Believe it or not, the consensus heading into 2008 was that the unfolding global slowdown would take these metal prices lower. That certainly didn’t happen. Some of the price rise was due to supply problems in China and South Africa. Producing these metals requires a lot of energy. Yet persistent blackouts and power issues plague producers in these countries.

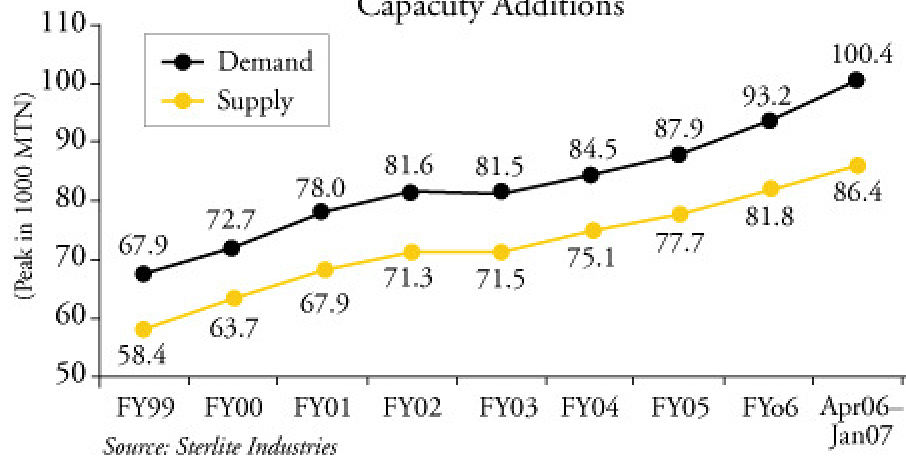
Copper hit $8,500 per ton, near all-time highs, as Chinese consumption remains high. Global copper inventory covers only about three days worth of global consumption. With a market running that tight, prices remain susceptible to big spikes. Credit Suisse says copper could spike to $12,000 per ton, partly on the rising cost of sulfuric acid, which about a quarter of copper producers use to process copper ore.

But the biggest driver behind metal prices such as copper and aluminum is the huge global demand for infrastructure. Morgan Stanley estimates that emerging markets will spend $21.7 trillion on infrastructure over the next 10 years. Power plants, roads, bridges, airports… China’s appetite and 10+% growth rate year after year is legendary. But one sleeping giant little acknowledged in all of this is India.

Certainly, when you compare India's consumption of metal on a per capita basis with that of other countries, you see enormous room for growth, magnified by the sheer numbers of people under the age of 30.



This is not idle wondering, this is demographics and increasing wealth at work … increased metal consumption is practically a given. India desperately needs more power (see chart below) and India's government will spend billions of dollars adding around 600 Gigawatts of electricity by 2030:



Infrastructure requires a lot of metal, especially copper. Expected incremental demand from within the BRIC countries will dwarf the softening demand in the US for the foreseeable future.

The Canadian Venture Market

Our GSW Model Portfolio year-end cut-off is on April 30th, which historically is about the time of year when the ***S&P/TSX Venture Index*** peaks, often followed by a severe and painful correction. In 2005-06 we had a phenomenal **153.3%** return in our model portfolio. In 2006-07 our performance was a very modest **8.8%**. This year we gave back **25.2%.** Not a good trend! What's happened?

Well, take a quick look at the chart on the next page. When we look at the junior markets as a whole, the TSX Venture Index is back below February 2006 level. Back in 2005-06 we had a spectacular run that peaked just as we published our portfolio edition, providing a very impressive snapshot of our performance. We measured everything at what turned out to have been the top of the market for the next year. Then in 2006-07 we had climbed back to retest those old highs, which ended up being a new high just as we published – and in hindsight a double top a couple of months later. After an initial small pull back the next run failed to hit the old high by a small percent and a rapid fall-off saw another re-test of the lows of 2006. We then saw a strong rally through last summer only to again set a lower high and here we are – again at those old multi-tested lows.

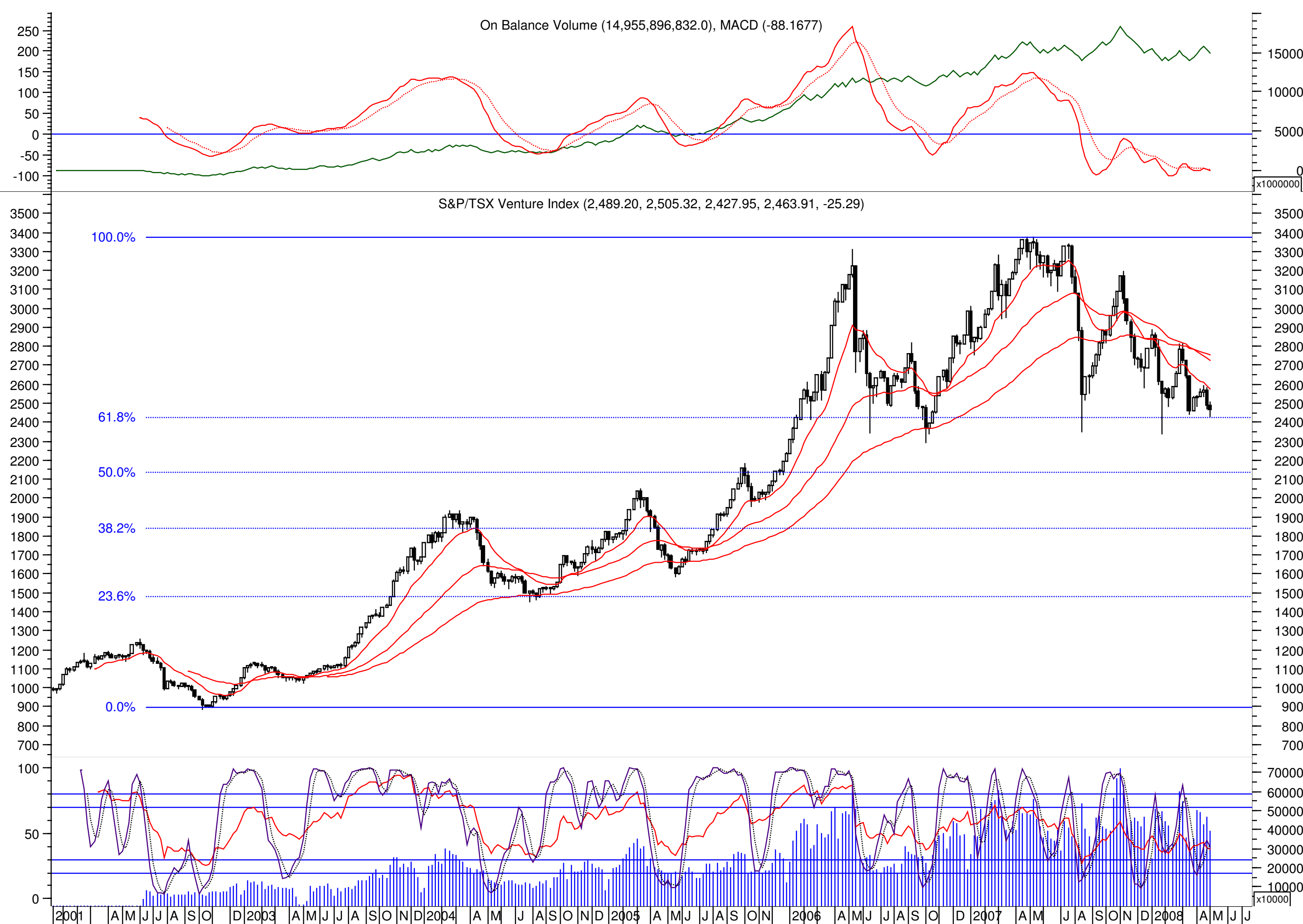
So, here we are attempting another test, the sixth, of the index's 2400 point support area. Investors are understandably fearful of a possible breakdown here, but to do so, the underlying commodity prices would also need to break support, and this is unlikely to happen except as a temporary head fake. Technically, we have an exceptionally strong base build here, and serious investors need to play the odds and accumulate chosen stocks

at the index support area. We have commodity prices significantly higher now than when the index hit its own highs, yet the index is down 30% from the top. This is a complete disconnect – essentially an emotional reaction lead by fear and pessimism. While our model portfolio has again outperformed the index, the disconnect between investor's expectations with their negative psychology, versus the reality of strong commodity prices and the promise of future cash flow of emerging producers, is at an extreme that eventually will revert to the mean. That should generate exceptional gains for our portfolio.

Here are some stats: in January 2006, the gold price was US$565/oz, now it's US$883/oz; in January 2006, the silver price was US$9.69/oz, today it's US$16.95/oz; in January 2006, the copper price was US$2.32/lb, now it's US$3.91/lb. How have the large cap metal stocks performed during the same period? The S&P/TSX Global Gold subindex was up 9.3% (still nothing stellar) and the S&P/TSX Diversified Metals and Mining Index was up 95.6% over the same period. Investors have sold off their junior holdings to generate liquidity where and when they can.

We believe that, despite modest improvement related to credit issues and liquidity relating to the broad markets, speculative risk capital remains firmly sidelined, and as such exposure to the small caps remains limited. As long as the broad markets remain under pressure (or volatile) and capital is being reallocated to safety, we expect small cap, less liquid equities to remain under pressure.

The S&P TSX Venture Exchange



Last week, the average daily volume on the TSX Venture Exchange averaged 183.4 million. Fundamentally, we believe the junior mining sector is undervalued. For risk-tolerant investors/speculators, we recommend selective accumulation of the well-sponsored, more liquid exploration/development stocks that are backed by quality management groups. Positive catalysts in the junior mining sector have historically prompted junior mining sector rallies. Recent news releases suggest above average upcoming drilling activity, which leads to the opportunity for a big discovery. That said, we are also heading into the quiet, boring summer season (the old phrase "sell in May and go away") and the junior markets just might yawn right through to autumn.

Over the last six years, we've seen spring corrections of anywhere from 11% to 30%. Traditionally it's a time of year to make sure there are no margin problems and that you've got some cash on hand for bargain shopping down the road; advice that frankly we heed all year round in the venture capital arena. Sell in May and go away has proven to be good advice, but it certainly does not apply every year. Just look at what happened in 2003; a small pullback early in the year and then a run that saw the index almost double from April to the next January. That's not something you can afford to miss! And this year has seen so much negativity and selling already – and a gradual basing formation at what is looking like solid support, I suspect upside surprises may be the order of the day. Technically the monthly S&P/TSX Venture Index shows a MACD indicator that has flattened out and looks ready to start curling up, and an on-balance-volume indicator that continues to be in a bull market trend. This looks more like a platform from where we get upside, rather than downside surprises.

Our investment approach

Most companies we have accumulated large positions in are initially early-stage, even inactive "shells". They are also primarily focused on the resource markets, where we believe a full-fledged long-term secular bull market is in progress – and has a long way to go. Whether they are temporarily up or down during the early formative stages is not that important to us. Their home-run potential and the fact that we are buying them before they become active puts tremendous odds in our favour, given we have the patience to wait. It also helps that the tide is rising in the resource sector, bringing in more and more investors and their capital.

Our strategy has served us very well indeed in the past, and generally pays off handsomely. Just look at some of our past wins like Wheaton River, UrAsia Energy, Bankers Pete, Entrée Gold, VRB Power, Peak Gold, Endeavour Mining, Impact Silver, Oriel Resources, etc. … especially under their predecessor names when we started accumulating, before they became well-known. We try not sell these deals too soon, as they will generally become 5 or even 10-baggers from where we like to buy them, and occasionally a lot more! You need to let the winners run, and thereby offset the losses that are an inevitable part of the process. Trying to trade for a living, taking small gains (and inevitably small losses, commissions, and paying taxes thereon) is not the way to wealth! What we do is value-invest and position-trade, although my definition of "value" may not necessarily meet your typical mainstream portfolio manager's criteria, therein lies the opportunity – and our edge.

You may have noticed that almost all of our positions started out as TSX Venture exchange listings. This exchange as evidenced by the above chart has performed very well, and looks to be oversold and at a relatively low-risk support area. The world has at least woken up to the resource bull market, and 30-something-year-old multi-billion-dollar fund managers who have never lived through a resource bull market are under pressure to position into the sector, and into the Canadian dollar. The manic-depressive two steps up, one step back nature of the beast is tough to trade "perfectly", but keep it in mind when headlines are being made and people are emotional. It pays to be somewhat contrarian with the timing of your buying and selling – at least on strong headline days.

Early stage deals, especially while still shells, may require patience to accumulate, and are often "tightly" held (ie. illiquid!). Make sure you have a broker that understands these markets and can execute appropriately! "Market" orders are usually ill-advised in these circumstances. Dormant "shells" that are prime "cheapies with a chance " are becoming harder to find, but not impossible. I recently added two to the GSW model portfolio – Westward and Kadywood. We also issued a report on Flagship but have yet to get around to adding some shares to the portfolio – more an oversight than any strategic thinking, as we hurried the report out and promptly left on a 3-week holiday. We will highlight a couple of other exceptionally well pedigreed shells over the next few weeks.

It seems people everywhere want to learn more about the resource markets and where we think we have been and where these markets will go next. Most people are concerned about the rising costs of commodities. Investors and fund managers are always wondering if this is a commodities bubble and when it will burst. In fact, now you have all of these dollar bulls coming out and saying that inflation and the commodities markets are simply speculator driven and the worst for the dollar is over. We obviously disagree.

Now gold is correcting, and should find technical support in the $820-$850 area. This counter move by the US dollar will continue a bit, but will be short-lived, as the same problems that drove the dollar into the basement will persist, and even worsen. The Fed can't just snap its fingers and wipe away twin deficits with some stimulus cheques. Too many folks are subscribing to the idea that the consumer will somehow come to the rescue and spend their way out of recession. It's pure fantasy. Do we think commodities are in a bubble? No. Do we think that there is a lot of froth in the market? Absolutely! The fact of the matter is that we are in a new paradigm for commodities and the old-school thinking about how commodities used to be traded has to be changed.

Gold and the US Dollar

The US media complex has put a full-court press attack on the precious metals and commodities markets in the past month. Throughout the mainstream media lately (CNBC, Bloomberg, CNN, Fox, etc) you hear about the death of the gold and the commodities bull markets.

The amount of misinformation and complete non-sense being spoon-fed to the information-hungry public gives you a sense on just how desperate things have become during an election year. Every time they have started a campaign like this in the past seven years, it's usually been a sign the precious metals are ready to make another move higher. It really has become quite predictable.

So, we continue to believe that we are firmly in a secular bull market in precious metals (gold, silver, platinum, etc) and resources in general, and that this will continue for years to come. There is little that fundamentally or technically stands in the way of this trend continuing, notwithstanding the fallout from the US housing correction and sub-prime mortgage debacle. A US slowdown will not materially dent resource demand from the Asian economies.

Gold continues to do very well, and finally broke out through the old 1980 record. But 1980's high of $850 per ounce is a different animal today, largely the result of constant currency debasement. To put today's prices into some context, when simply adjusted for inflation, gold's peak at $850 per ounce in January 1980 would correspond to over $2,200 today; $50 silver then would be over $125 per ounce silver today.

Today, the price of gold has corrected by close to 20 percent since peaking on March 17 at $1,032 per ounce. If you have been listening to the popular press and business TV, you may be convinced that the gold and maybe even the commodity "bubbles" have popped.

Once you step back from the day-to-day noise and put things into perspective, we believe this correction in gold, while painful in the short term, is just another pause in a long-term secular bull market. Simply said, bull markets climb a wall of worry.

Just last June gold had bottomed around $640 per ounce. As the financial crisis unfolded, it staged a spectacular rally, surging more than 60 percent to its recent $1,032 peak. Gold has since pulled back, a normal correction, but given that the long-term fundamentals remain virtually unchanged, we believe it is setting the stage for the next leg up.

Essentially there are four key factors to consider that support our bullish view on gold:

Negative real interest rates

The one-year US Treasury bill is yielding just 2 percent, while the official inflation rate is around 4 percent. Negative interest rates make gold look more attractive compared with other safe investment alternatives, such as T-bills and certificates of deposit. We believe the Federal Reserve will keep interest rates below the rate of nominal economic growth in order to support a fragile economy in an election year. Negative real rates between 2001 and early 2005 powered gold's biggest bull-run in decades, with prices rising from $255 to $455 per ounce.

Real inflation is under reported

The official inflation rate is around 4 percent, but when you include the rapidly rising prices for food and energy and understated housing costs, the real inflation rate is even higher. One of the best ways to protect yourself against inflation is to participate in it by investing in commodities. Historically, gold has proven to be a viable hedge against rising inflation because it maintains its purchasing power. We agree with those who estimate that the actual inflation rate is close to double digits due to the Fed's massive injection of new money into the economy to avert a recession. MZM (money zero maturity), the amount of money in the economy that's easily accessible for spending, is up 15 percent compared with the same time last year.

ETF redemptions

The current correction in gold has been led by sizable ETF redemptions. The StreetTracks Gold Shares ETF (ticker GLD) lost 1.3 million ounces of gold over the past two weeks, with nearly a third of that amount being redeemed this Tuesday alone. This may mark the first-ever ETF-led gold correction. This correction is not surprising, given the strong acceleration in the first quarter of 2008 and typical seasonal trends. Short-term profit-taking is normal after a big move. There is increasing speculation that prospects have improved in financials and

technology. In our opinion, this move out of gold is not indicative of the smart money, as momentum investors chased performance on the way up. The price action appears to be signaling a rotation from weak gold holders, perhaps back into the broader equity market.

Demand and Supply

Declining output from existing mines, particularly in South Africa, and a virtual absence of large new discoveries will reduce the supply of gold available in the market. At the same time, demand is increasing due to rising wealth levels in China, India and other nations with a cultural affinity for gold. History suggests that jewelry demand, which fell off when gold surpassed the $1,000 mark, is likely to pick up again during a gold-price retrenchment.

Keep your eye on the ball

It's easy for investors to get swept up in the emotion of a strong rally or a significant correction. In these volatile times, we suggest that investors protect themselves from sub-optimal decision-making by not losing sight of their long-term asset allocation strategy.

Gold has largely de-linked itself from the US dollar as we suggested would happen back in our 2005 commentary. Gold showed that it could do its own thing regardless of the direction or whether the US dollar strengthens of weakens against any particular currency (we continue to believe the US dollar HAS to weaken further in any case – further supporting higher gold prices in US dollar terms). Gold continues to grow in respectability and recognition, and eventually will been seen for what it is - an anchor to stability, a store of purchasing power, as the US dollar is further de-based.

Gold had to overcome almost 25 years of negative publicity, cultivated during an era when investors believed cyclical recessions and depressions were a thing of the past. Public sentiment was convinced that the price of gold would always go down, and that mining is a waning industry and a poor place for investment capital. It bears pointing out that during the last secular bull market from late 1971 to early 1980, gold rose 2,400%, silver 3,500% and crude oil almost 400%. We likely have a long way to go, albeit you need a multi-year perspective and an ability to ignore the daily news headlines and sound bites on CNN.

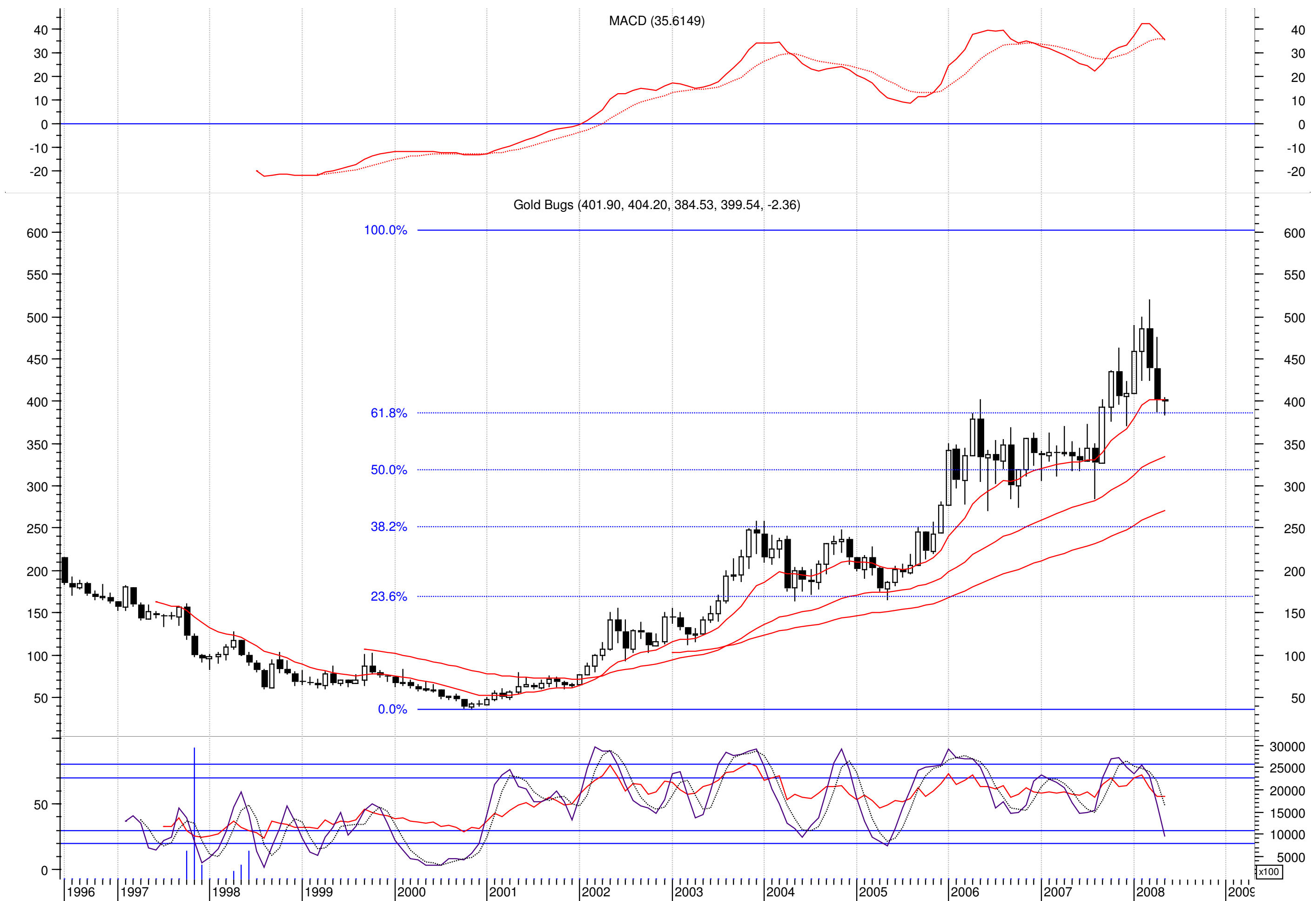
Only in a major financial meltdown, such as which occurred in 1929, would gold equities sell off along with other paper assets. Barring such an event, gold shares will occasionally mirror the fall of mainstream common stocks, mainly because it is human nature to throw out the baby with the bath water when emotions are high and it's "liquidity at any cost". A sharp equities decline will likely be accompanied by a similar reaction in gold equities, but it should be very short-lived and an opportunity to fortify positions. Gold as a store of value has outlasted all past currencies and has very effectively transported wealth between generations for thousands of years.

The "Gold BUGS" Index

We monitor both the Philadelphia Exchange's XAU and the HUI "Gold BUGS" Index (HUI-AMEX). The HUI is made up exclusively of mining stocks that do not hedge their gold positions more than a year-and-a-half into the future. This makes the BUGS Index much more profitable than the XAU when gold prices are rising, but can also compound its losses when gold declines. BUGS is an acronym for **B**asket of **U**nhedged **G**old **S**tocks.

The index was introduced on March 15, 1996 with a starting value of 200, and is comprised of 15 of the nation's largest "unhedged" gold mining stocks. It is a "modified equal-dollar weighted" index. As a result, most of the index's component stocks are equally weighted, yet the largest stocks still carry a greater weight than the smallest. Last year, long term subscribers will recall that we stated the index was in a one-year-long period of technical consolidation that was showing evidence, with a pattern of higher lows and marginally higher highs, of a readiness to test the old high, and eventually break to the upside. Three months later this indeed occurred in spades. We are now testing that old breakout / resistance area which technical analysis states becomes new support.

HUI (Gold BUGS) Index (AMEX)
(13-Year Monthly Chart)



Normally, in economics, the lower the price of something the higher the demand for it. This is evident everywhere in society today. But with gold, and indeed most other investments, the demand curve is reversed. As all contrarians know, in the investment world the higher the price an investment climbs the greater demand becomes! It’s all backwards.

The higher the price of gold climbs, the more potential investors will become aware of its impressive returns. As they buy in over time, their marginal investment demand will drive gold even higher, putting it on the radar of even more investors worldwide. Most investors are not contrarians so they will only chase existing well-established trends.

Therefore it is important to realize that it is not mines or central banks that ultimately drive gold prices, but private investor demand. It is also crucial to understand that global gold investment demand only grows with higher gold prices.

All secular bulls ultimately culminate in bubbles. The typical parabolic shape of a secular bull market starts off with almost imperceptible acceleration in the early years, picks up dramatically in the middle years, and is breathtaking in the final years. This pattern was witnessed in the 1970-80 gold market and both the NASDAQ and S&P 500 during their own recent secular bulls. There are many examples throughout history of such patterns. If gold holds to a similar course as in the 1970s, gold will ultimately trade over thousands of dollars per ounce before this decade ends.

The practice of US monetary inflation requires the addition of ever larger amounts of new money and credit instruments to keep the scheme going, but at some point the general public realizes they are holding empty

promises and race to exchange the paper for anything of value. We do not believe it is different this time, but only a matter of time. We certainly cannot foretell even an approximate date of the coming crisis other than to state our belief that for the US dollar it is late in the day.

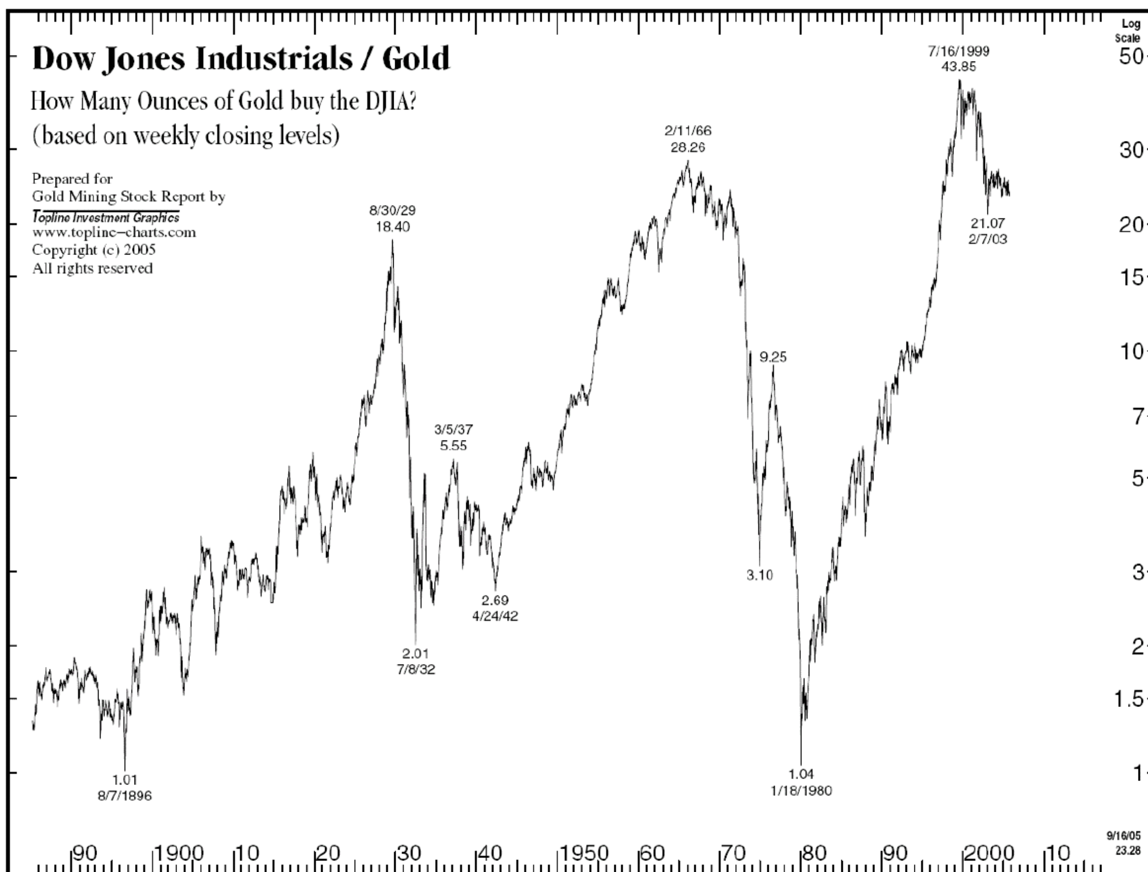
The sustained increase in the price of oil and gold, as well as silver, fine art, and gem stones, against all fiat currencies attests to the growing awareness of the inherent problem and reflects attempts to preserve wealth from the gathering inflationary storm. The second leg in the gold bull market is well underway – the ultimate indicator of wealth preservation.

U.S. dollar in Canadian dollar terms
(24-Year Monthly Chart)

The US:CDN dollar pair: Pausing at parity?
Powered by Canadian surpluses and resources; Driven by US deficits and monetary debasement.

The Dow Jones Industrials / Gold Ratio

What follows is a chart of the Dow Jones Industrial Average divided by the gold price 1886 - 2005. It represents the performance of paper assets versus hard assets over time, that there are times to own paper assets and there are times to own hard assets. It is very, very telling because hard assets have had two major supercycles in the last hundred years. One was from 1929 - 1934, and the gold price at that time was fixed so the hard asset cycle was shortened because of that. If you look at silver, which was free floating in those days, I think what you would have found is that the supercycle probably started in 1924-25 and ended about 1937-38. If you look at the Homestake share price, it peaked in 1937. So you would have had about a 13-14 year bull market in hard assets.



The next bull market in hard assets was from 1966 - 1980, 14 years as well. The rest of it is all a bull market in paper assets. The current bull market in hard assets started in 2001, as per this chart, so we are almost seven years into it. As the last two were 12-14 year bull markets, this tells me we are still nearer the beginning of the bull market, not at the end. When you look at the rise in price of gold in the 1970s from $35 to $850 dollars that is more than a 2000% increase. So far in this cycle we are up about 200% at the recent peak. There are a lot of similarities, oil went up 5 times in the 1970's, from $2 to about $12 in 1973 and then finally it went up to $50 by 1980, a 25 times move. This time we have gone from $12 to over $120 so we have had 10, but we will likely see more than that. The biggest difference is with the inflation rate. This cycle is more akin to the 1930s from an inflation standpoint. In fact what we have been seeing in some major parts of the economy is deflation.

Asia has been exporting deflation in goods and services for years. There has been virtually no pricing power on anything. When you see the oil price increases of tenfold people say inflation has to come, but what we are seeing is the producers of goods and services have been absorbing a lot of the price increase, because they have no pricing power. The Chinese don't want to lose market share, so they are cutting their margins to compete with the Koreans, Indians, Vietnamese and other emerging Asian economies. So inflation may accelerate but we are not going to see the 15-18% inflation of the 1970s. The U.S. debt pyramid couldn't survive those rates.

On the other side of the coin, deflation is lurking right around the corner. This is why long bonds remain so low, although the recent Ben Bernanke efforts have seen those rates start to lift. There was such overcapacity in everything that there were no good investments anywhere, so people were parking their money in long bonds. We saw the same thing in the 1930s. Those are the major differences. There has been too much money with no place to go.

As the Dow Jones/gold price chart clearly shows, every hard asset bull market has ended with a low, single digit ratio. In 1980, gold was $800 and the Dow was 800. In 1932 the Dow touched 37 and the gold price was $35 in 1934. It ended up at less than two to one. When you look at the financial imbalance in the U.S. system, the amount of debt that was created in the private and public sectors, to unwind all of these excesses will take time. It is not going to happen in the next one or two years; it is going to take a lot longer.

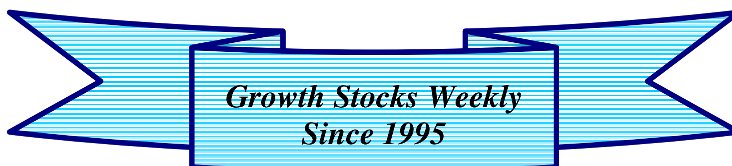
The Dow is not going to crash through 1,000. In 1966-67 the Dow lost about 40% of its value going from 1,000 to about 600. In the 30s it lost 90% of its value but then you had deflation, outright deflation like we saw in Japan the last two decades. It's doubtful we are going to see outright deflation in the U.S., it's more likely going to be more of a muddle through. Maybe the Dow is going to be 7000 to 8000 or even go sideways for a long time while other assets adjust to a greater degree – reflecting the decline of the U.S. dollar's purchasing power.

When you look at the amount of money that has been created, what we see is a gold price that will have at least three zeros after the first number. We don't know what that first number is going to be, but it will at first have to start with "1". We said in these pages in prior years that gold will certainly go over $1,000 – probably over the next year or two. This has now been achieved. We are in the midst of a minimum 14-year-long bull market. So the place to be over the next 4-8 years continues to be hard assets.

The consequences of growing monetary inflation (too much money with no place to go), waning credibility and a growing uncertainty within the U.S. will be far-reaching and calamitous someday. However, it is unlikely that day is at hand, for one thing appears certain: the rising tide of liquidity is a veritable tsunami, which will continue to lift all asset classes for some time. But if true to form, other asset bubbles will be inflated, for whereas the Fed can unleash massive liquidity, as it is presently, it cannot control where that liquidity is directed.

If you want to make money, find a secular trend and ride it. This is a major, major secular trend that only happens once every two generations. You get on it and just stay with it. That's how you are going to really make money.

What follows is brief coverage on some of our larger portfolio positions - ones that we believe offer life-changing upside – usually because we bought lots of shares cheap over an extended period of time, and often are still doing so while so many deals remain on sale and out of favour! As usual, our dollar-value exposure to these companies emphasizes our comfort level for where we expect to make our biggest overall dollar gains over the next year and beyond.



Proven Venture Market Performance Since 1995

(c) 1995-2008 Growth Stocks Weekly. ALL RIGHTS RESERVED.

DISCLAIMER
Growth Stocks Weekly is an independent electronic publication committed to providing our subscribers with factual information on selected publicly traded companies, business, and economics. All companies are chosen on the basis of certain financial analysis, and other pertinent criteria with a view toward maximizing the upside potential for investors while minimizing the downside risk, whenever possible with the added aid of technical analysis. Growth Stocks Weekly and its editors do not accept compensation from public companies featured in this publication.

All statements and expressions are the sole opinions of the editors and are subject to change without notice. A profile, description, or other mention of a company in the newsletter is neither an offer nor solicitation to buy or sell any securities mentioned. While we believe all sources of information to be factual and reliable, in no way do we represent or guarantee the accuracy thereof, nor the statements made herein.

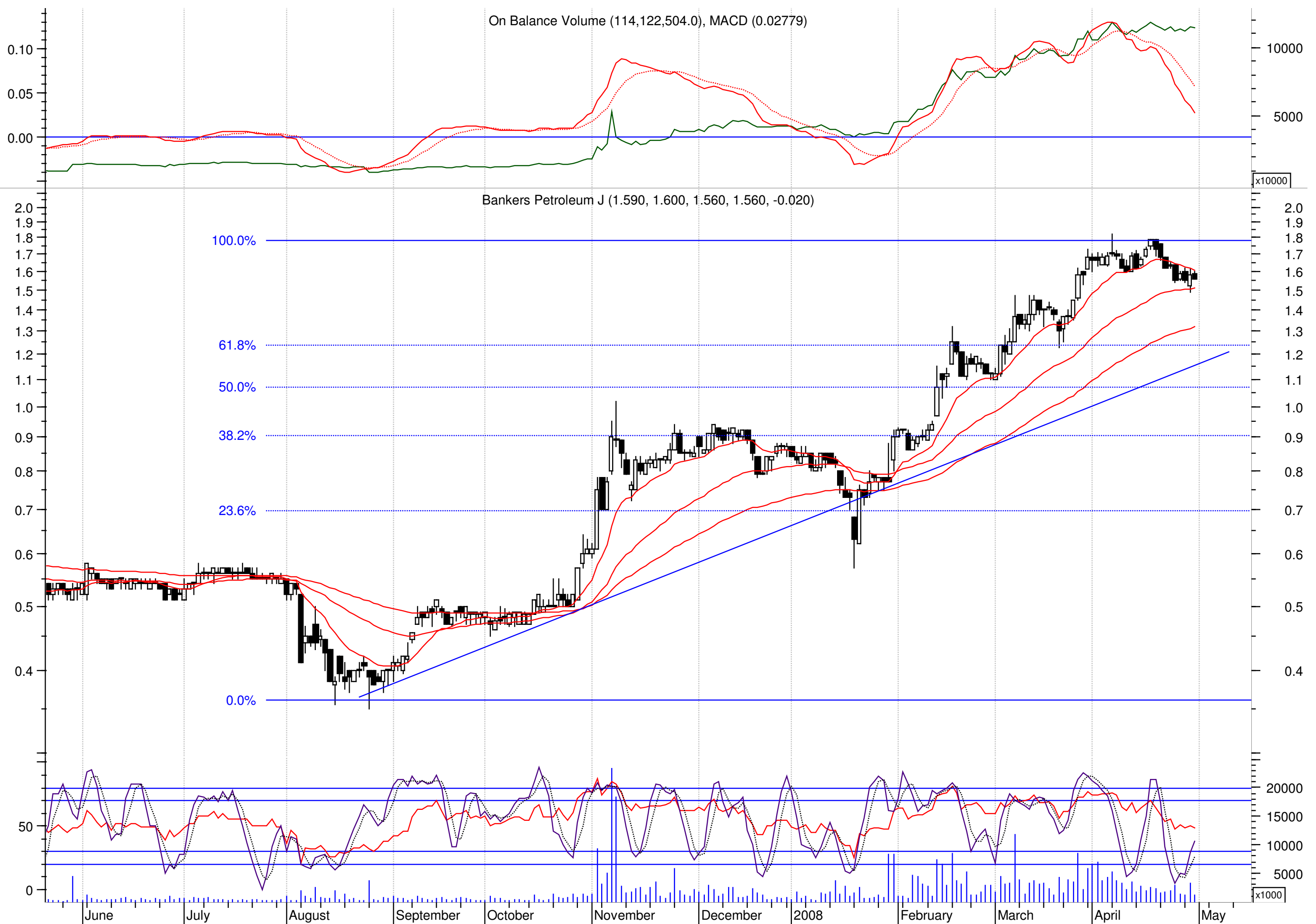
The publisher and the employees, staff and consultants of Growth Stocks Weekly are not registered investment advisors and do not purport to offer personalized investment related advice. The publisher, staff, or anyone associated with, or associated to, Growth Stocks Weekly may own securities mentioned in this newsletter and may buy or sell securities without notice.

The profiles, critiques, and other editorial content of the Growth Stocks Weekly may contain forward-looking statements relating to the expected capabilities of the companies mentioned herein. The reader should verify all claims and do their own due diligence before investing in any securities mentioned. Investing in securities is speculative and carries a high degree of risk. The information found in this profile is protected by copyright laws and may not be copied, or reproduced in any way without the expressed, written consent of the editors of Growth Stocks Weekly.

We encourage our readers to invest carefully and read the investor information available at the web sites of the Securities and Exchange Commission ("SEC") at http://www.sec.gov and/or the National Association of Securities Dealers ("NASD") at http://www.nasd.com. We also strongly recommend that you read the SEC advisory to investors concerning Internet Stock Fraud, which can be found at http://www.sec.gov/consumer/cyberfr.htm.
Readers can review all public filings by companies at the SEC's EDGAR page in the U.S. and SEDAR's electronic filing of securities information as required by the securities regulatory agencies in Canada at www.sedar.com. The NASD has published information on how to invest carefully at its web site.

Bankers Petroleum (BNK-TSX)

Daily Chart, Semi-log Scale



Growing production with a proven management team

Bankers Petroleum has new management effective early this year. They were previously at Rally Energy and made it a huge success that ended in a takeover. They made many investors wealthy and so have a strong institutional following. Bankers completed a $60 million financing in early March by issuing 66 million shares at $0.90 per share. There are 519 million shares outstanding and has attracted strong institutional sponsorship.

Bankers has been busy showing how the new management group has taken charge of operations, with some impressive production gains. It has more than two billion barrels of heavy oil in the ground with an expected recovery of 6 per cent. Bankers is formulating a plan to spin off its U.S. business and announced a three-year program including capital investment of $370-million in Albania. Spending will be paid out of working capital and future cash flow with a production target of 20,000 barrels per day by the end of 2010. With recent success in Oklahoma, the company determined that the timing is right for Bankers U.S. to be restructured into a separate entity to proceed with its own growth plans. Due to the size of its two heavy oil fields in Albania, the company's board decided it should focus its resources on these assets. Shareholders on record will likely receive a share of a new company that will hold the U.S. operations.

We added 100,000 shares at an average $0.825 to the GSW model portfolio back on January 31, 2008 after the confidence booster of their financing announcement at a premium to the market with no warrants, with Sprott Asset Management taking the lion's share. Bankers was one of our big winners in 2005-06 with its high-volume, high-profile run from the $0.40 area to over $2.00 as Morgan Stanley recommended it as a buy through their O&G research. We had sold the last of our shares back in Sept 2006, but kept our warrant position, and an eye on what was going on. Of note was the level of insider buying last fall off the bottom - always a good timing indicator.

Bell Resources (BL-TSXv)

Weekly Chart, Semi-log Scale

Overlooked emerging copper producer with exploration and development potential

Bell Resources, Grandcru Resources and Rogue River are in the final week or two of what has been an almost seven month process to merge the companies together. Painfully slow, the process has coincided with a decidedly tough market environment that has taken a severe toll on the share prices of the two publicly-traded companies, Bell and Grandcru. However, the strategy is correct, and the resulting profile of near-term copper production and exposure to further development assets and exploration bluesky is second to none.

We expect the three merged companies to commence trading by around mid-May as Bell Copper under the symbol “BCU” on the TSX Venture exchange.

What is being methodically built here is an emerging intermediate producer and takeout target in an environment that is seeing unprecedented demand for its product. The timing looks to be perfect as this resource cycle is maybe 1/3 of the way through the typical 14 to 23 year historical length, and this cycle promises to should be particularly strong following such a severe 20-year-long bear market.

Copper has been the endurance athlete of the base metal industry, maintaining historically high price levels for a prolonged period. The copper price has been buoyed by the growing economies of the developing world (e.g. Brazil, Russia, India, China) and the length of time required to bring significant new supply onto the market. Labour

disruptions, capex escalation, policy decisions and procurement disruptions have all played a role in delaying delivery of new supply to the copper market. There is a dearth of new projects available to ramp up supply, evidenced by M&A growth in the copper market for early-stage copper development projects. The most recent target was Global Copper Corp which is being acquired by Teck Cominco.

Going forward as a merged company has a well-thought-out business strategy behind it:

- Near term production and cash flow
- Significant copper exploration potential
- World class technical team
- Copper footprint in the politically stable Americas (Canada/USA/Mexico/Chile)

Through the expansion of both assets and technical personnel the combined company is well positioned to pursue the following growth strategy:

- Continue to develop La Balsa Project to cash flow (Q2-2009)
- Exploration to expand resources at La Balsa
- Exploration to expand resources at Granduc
- Exploration of extensive copper asset portfolios in the USA and Chile
- Move towards development the Granduc, Sombrero Butte, and other promising projects
- Pursue potential acquisition opportunities

As a newly merged company moving forward with this profile we expect it to attract significant institutional interest. A senior financing would help fast track several assets into near term production, and take advantage of conservatively projected cash flow to make the newly merged company self sufficient – generating free cash flow to fund additional development, exploration and acquisitions without further dilution.

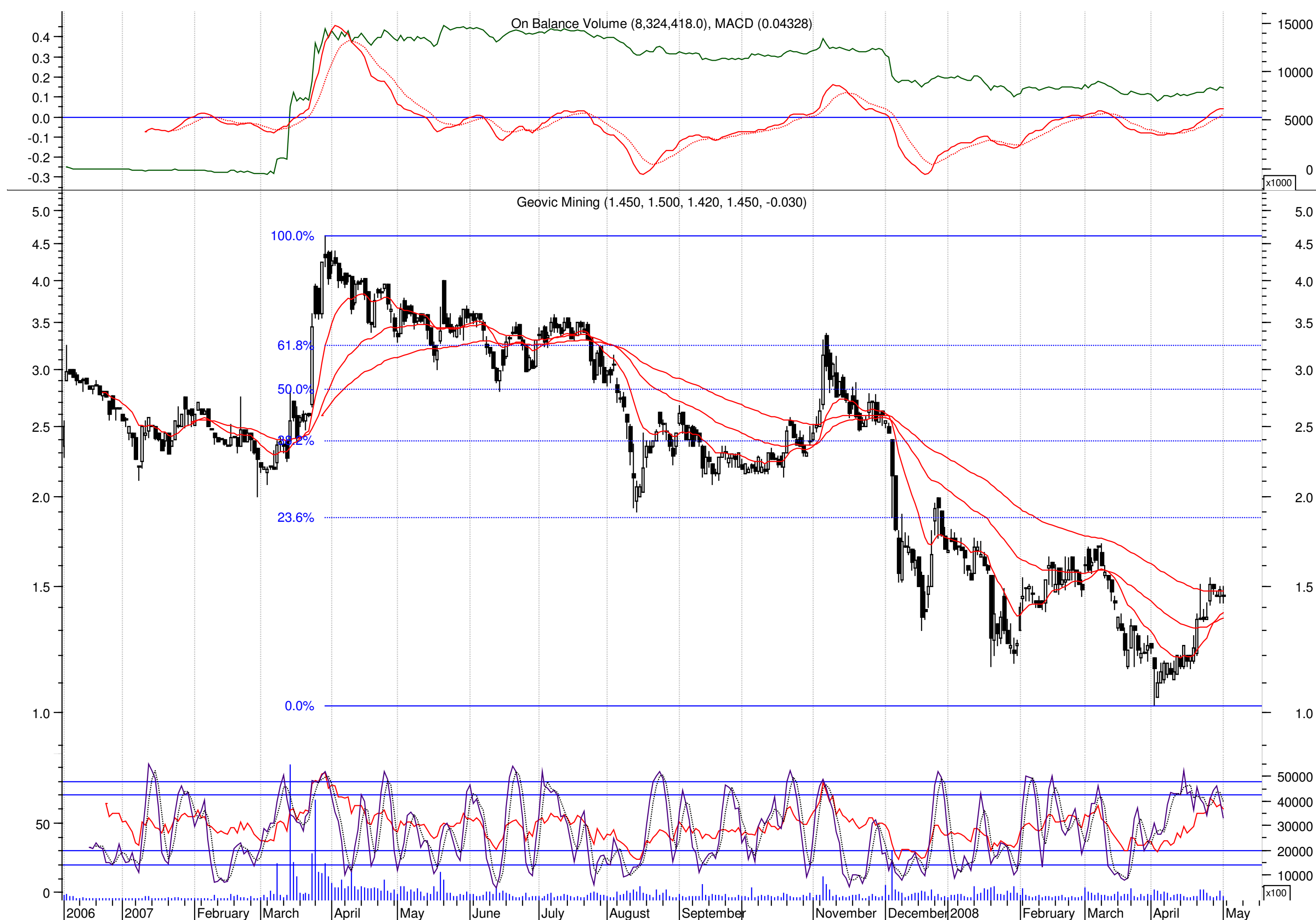
The merger will complete on the following basis:

- The 4 to 1 ratio of Bell to Grandcru
- The 1.8 to 1 ratio of Rogue River to Bell
- The 2 share for 1 share consolidation of the resulting new company, Bell Copper.

All three companies will undergo a 2 share for 1 share consolidation upon closing of this Merger. The capital structure will retain the same percentage ownership but have just over 80 million shares outstanding. There already exists an institutional shareholder base in Rogue River and we know there's a need to raise significant exploration and development capital in the future, at hopefully significantly higher prices. The new capital structure will ensure new Bell trades in dollars, not as a penny stock, and is attractive to a sophisticated institutional audience. Combined, the new Bell Copper will be our largest dollar-vale holding in the model portfolio.

Geovic Mining (GMC-TSXv)

Daily Chart, Semi-log Scale



The world's largest potential pure-play cobalt producer

Geovic's Nkamouna project in Cameroon is estimated to contain 54.7 million tonnes of proven and probable ore reserves at average grades of 0.25 per cent cobalt, 0.69 per cent nickel and 1.33 per cent manganese. Technical and financial information about the project are included in a Jan. 18, 2008, NI 43-101-compliant technical report prepared by the independent engineering firm, Pincock Allen & Holt. Nkamouna is only the first of seven potential cobalt-nickel-manganese deposits to be developed on 60-percent owned subsidiary GeoCam's mining permit.

Our Initial Report was issued in May 2007, but we subsequently sold 25,000 shares at $4.05 and later 75,000 shares at $2.78 at a decent profit. This was in reaction to Geovic's Form 10-Q disclosure that the capital cost of the project would be around $400 million, a massive increase over the pre-feasibility number of $129 million we were relying on. Since the subsequent share price decline, we have repurchased 75,000 shares at an average $1.24 cost per share since mid-February. Our target is to hold 150,000 shares, but we wish to dollar-cost average back in slowly, on market weakness.

Nkamouna project economics remain robust in spite of the capex increase. The base case assumes three-year average metal prices (as of October, 2007) of $20.08 per pound cobalt and $11.16 per pound nickel, compared with current spot prices of roughly $50 per pound cobalt and $13 per pound nickel. Using the base case assumptions, the project's after-tax net present value (NPV) at an 8-per-cent discount rate is $695-million, or $417-million net to Geovic, and its internal rate of return (IRR) is 33 per cent. Moreover, 70 per cent of project revenues are attributable to the production of cobalt. Current market cap is under $120 million, of which includes cash and cash equivalents of approximately $78.5-million as at Dec 31, 2007. These project economics are quite conservative, and additional revenue from the production of manganese and scandium, currently not assumed in the FFS, could serve to further enhance these economics.

Hathor Exploration (HAT-TSXv)

Daily Chart, Semi-log Scale

The top new uranium discovery of the cycle

Hathor got close to breaking through $3.00 last month after the junior uranium explorer announced gamma ray scintillometer results from an additional seven drill holes completed on its 90%-owned Midwest NorthEast Project, Saskatchewan. Terra Ventures (TAS-TSXv) owns a 10% production carried interest. These seven holes were drilled in the immediate vicinity of Hathor's discovery drill hole MWNE-08-12, which had investors excited after posting an uranium mineralization intersection including 11.9 metres grading 5.29% U3O8. At this grade we are talking about rock that is worth between $7,600 and over $11,000 per tonne at current spot (US$65/lb) and long term (contract) uranium pricing ($US95/lb).

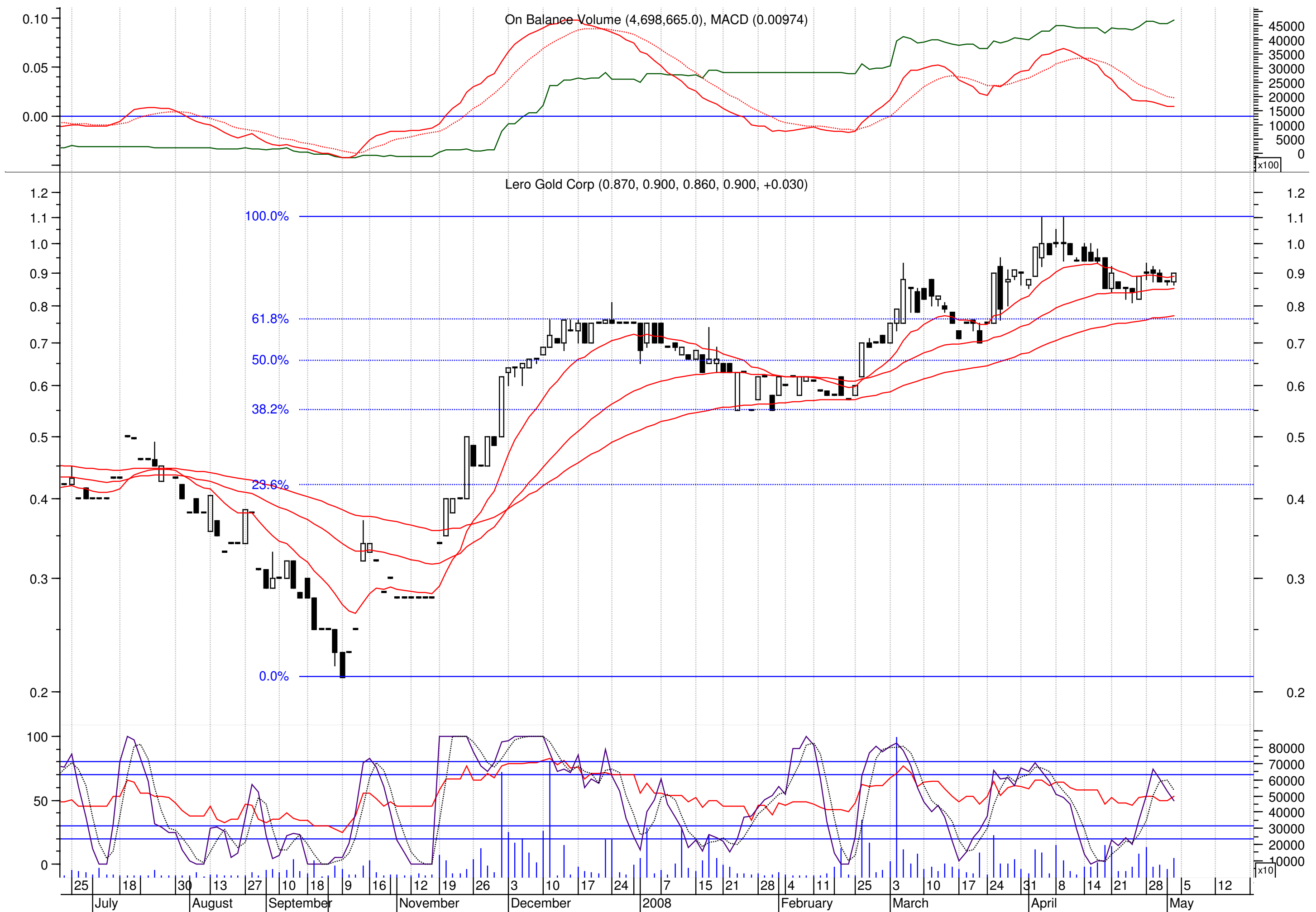
Because of the length of time before laboratory assay results are available, Hathor uses scintillometer readings as a reliable guide for its ongoing drill program. It was the scintillometer results for hole MWNE-08-12, released before the laboratory assay results, that first got Hathor's stock running from the $0.50 per share level in late February. It was accurately foretelling in that hole. Officially, scintillometer readings are not directly or uniformly related to uranium grades of the rock sample measured, and offer only a preliminary indication of the presence of radioactive materials. Drill holes MWNE-08-16 through MWNE-08-21 have since extended the uranium mineralization that was intersected in hole MWNE-08-12.

Hathor’s property sits adjacent to AREVA, Denison Mines and OURD Canada's Midwest property where mine construction is slated to begin in mid-2009 and open-pit mining of a shallow orebody that grades 5.47 per cent uranium oxide is planned for early 2010. The orebody hosts reserves of 360,000 tonnes grading 4% U_3O_8 and is expected to produce roughly 36 million lbs. U_3O_8.

Hathor just announced that the lab has also found significant grades of nickel, up to 17.22%, cobalt to 1.92%, molybdenum to 2.35% and copper to 0.34%. These results occur within the 46.4 metre section where the high grade uranium was found. We await lab results of a further 12 holes from the Phase I program.

Lero Gold (LER-TSXv)

Daily Chart, Semi-log Scale



Proven management with rapid production growth profile

We issued our Initial Report on Lero in December 2007. Lero has a strong portfolio of gold / base metal properties in central Asia, and offers gold-copper-focused exposure to the prolific Tien-Shan Metallogenic Belt in the FSU (Former Soviet Union), host to some of the world's largest deposits.

It was recently announced that European Minerals (EPM) will buy out Lero on a one for one share basis, but to our way of thinking Lero is in fact taking opportunistic control of EPM and its near term production to fast track its growth and rescue its underwater hedge book. Lero closed a $60 million private placement April 30th to fund EPM for $25 million and fast track further growth.

Lero was originally formed through a reverse takeover transaction with another of our winners, Oriel Resources PLC, in July 2006. Oriel transferred its gold related assets into Lero to become its controlling shareholder. Oriel more recently divested this control block to private interests, freeing Lero to pursue its future path independently and kick-start its quest for rapid growth. This was likely done in anticipation of a takeover / sale of Oriel, now in progress to Mechel, a large NYSE-listed Russian-based metals company.

Lero is led by a senior management team with extensive expertise in mineral exploration and advanced project management, and proven access to highly accretive FSU (Former Soviet Union) assets. Gold Fields indirectly controls 8.99% of Lero Gold as a result of an alliance formed in 2006.

It was recently announced that EPM would buy out Lero on a one for one share basis. We had recently sold all our European Minerals as a result of suspected hedge book and production issues, and we were able to avoid the most recent price drop when investors became more aware of the issues.

EPM has been thrown a lifeline as expected, but in this case we were are not happy with the fact that it was one of our better-structured holdings. We do hold 250,000 shares of Lero Gold at an average price of $0.394, and so with the proposed "acquisition", Lero takes effective control of European and brings in proven management and expertise.

There was already a close relationship between the companies. Lero was a spinout of the gold assets of Oriel Resources, one of our recent winners as it received a takeover bid from Mechel (in progress). Dr. Sergey Kurzin was a big part of that deal and is again coming off a win with Oriel. And who can forget the huge win we had with UrAsia Energy - taken over by Uranium One in 2007 - also Kurzin-originated Former Soviet Union (FSU) assets. We also fondly recall Julietta (a high grade gold deposit in Magadan, Russia with Bema Gold), Kupol (a high grade epithermal gold deposit in Chukotka, Russia, also with with Bema Gold.

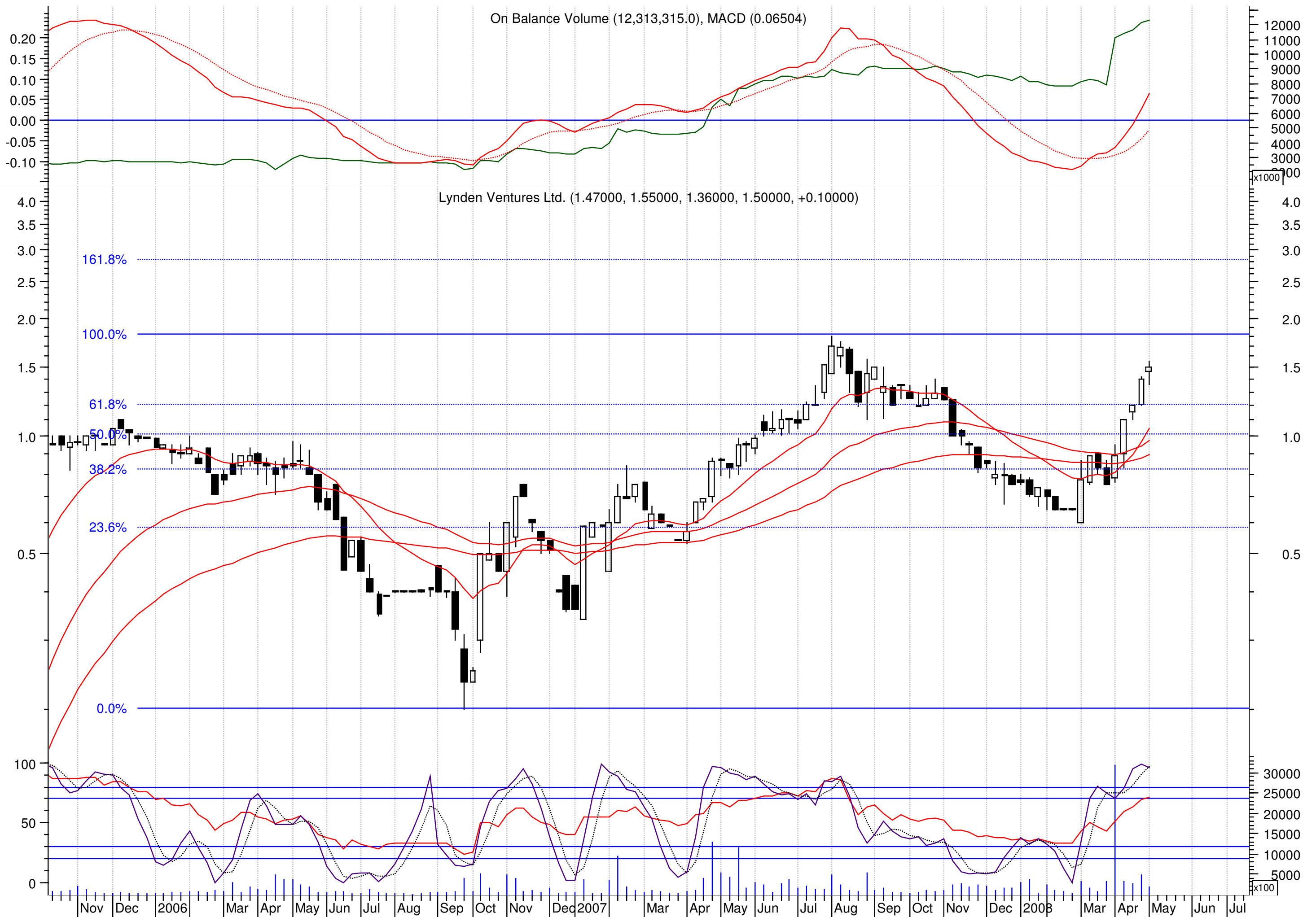
Kurzin was also a founder of European Minerals in 1995, but management of EPM was left in other hands. Now EPM needs additional expertise to get the Varvarinskoye gold and copper mine running smoothly, and a cash injection to meet debt repayments and hedge commitments. And, he's likely looking for a new challenge and wants to keep his team together. His familiarity with European Minerals, which offers short term challenges with huge potential longer-term cash flow, has to be very appealing to him. Upon the closing of the acquisition, Dr. Kurzin, currently chairman of Lero, will join the board of EPM as executive chairman, together with Dr. Alexander Yakubchuk (currently chief executive officer of Lero) and Takhirzhan Baratov (currently the chairman of EPM's Kazakh subsidiary, JSC Varvarinskoye).

Once the offside hedge book and technical issues are dealt with, EPM and Lero together should offer shareholders a big potential win from here. So, we are back into European Minerals through the back door and the murkiness has or will be lifted by the involvement of a proven management and technical team. We have confidence in the clear-thinking ability of Dr Kurzin and the Endeavour guys to stick handle all the issues to a profitable conclusion. Lero will also bring in a number of technical experts to help with the start up of EPM's Varvarinskoye, such as Randy Reinhard – the manager of Kupol & Julietta for Bema Gold. Varvarinskoye is slated to become the largest gold producer in Kazakhstan.

So, we will have near term production with the Varvarinskoye project, and Lero just announced their first 43-101 resource at their Karchiga copper deposit in western Kazakhstan, with an indicated 258 million pounds of copper at 2.46% grade. They will also soon announce the first 43-101 resource at the Taldybulak Talas gold copper deposit in Kyrgyzstan. They plan to fast track these two projects, so we could be looking at a mid tier producer with three mines in just a couple years. The board of directors of Lero believes there is substantial exploration upside at its Taldybulak Talas and Karchiga deposits and also within EPM's three-square-km mining lease for Varvarinskoye and surrounding 220-square-kilometre exploration licence. They just raised $60 million to step up the growth process, and raised these funds without any warrants being issued.

Lynden Ventures (LVL-TSXv)

Weekly Chart, Semi-log Scale



Building up gas where it's needed

We hold 100,000 shares at an average $0.765 (with some free warrants) bought Oct 2005 and Feb and June 2006. The share price has recommenced its uptrend following last year's $15.5 million raise at $0.80, peeking at $1.80 until pulled back during the August sub-debt swoon. While 2006 saw the bloom come off the rose with respect to gas prices, subsequent recovery and strong future prospects has us on the other side of the steep valley. We lost a year but the rebound could be significant given strong cash-flow prospects. Sprott Asset Management's Energy Fund shows past participation in Lynden's financings -- savvy institutional interest that will often kick off solid share price performance.

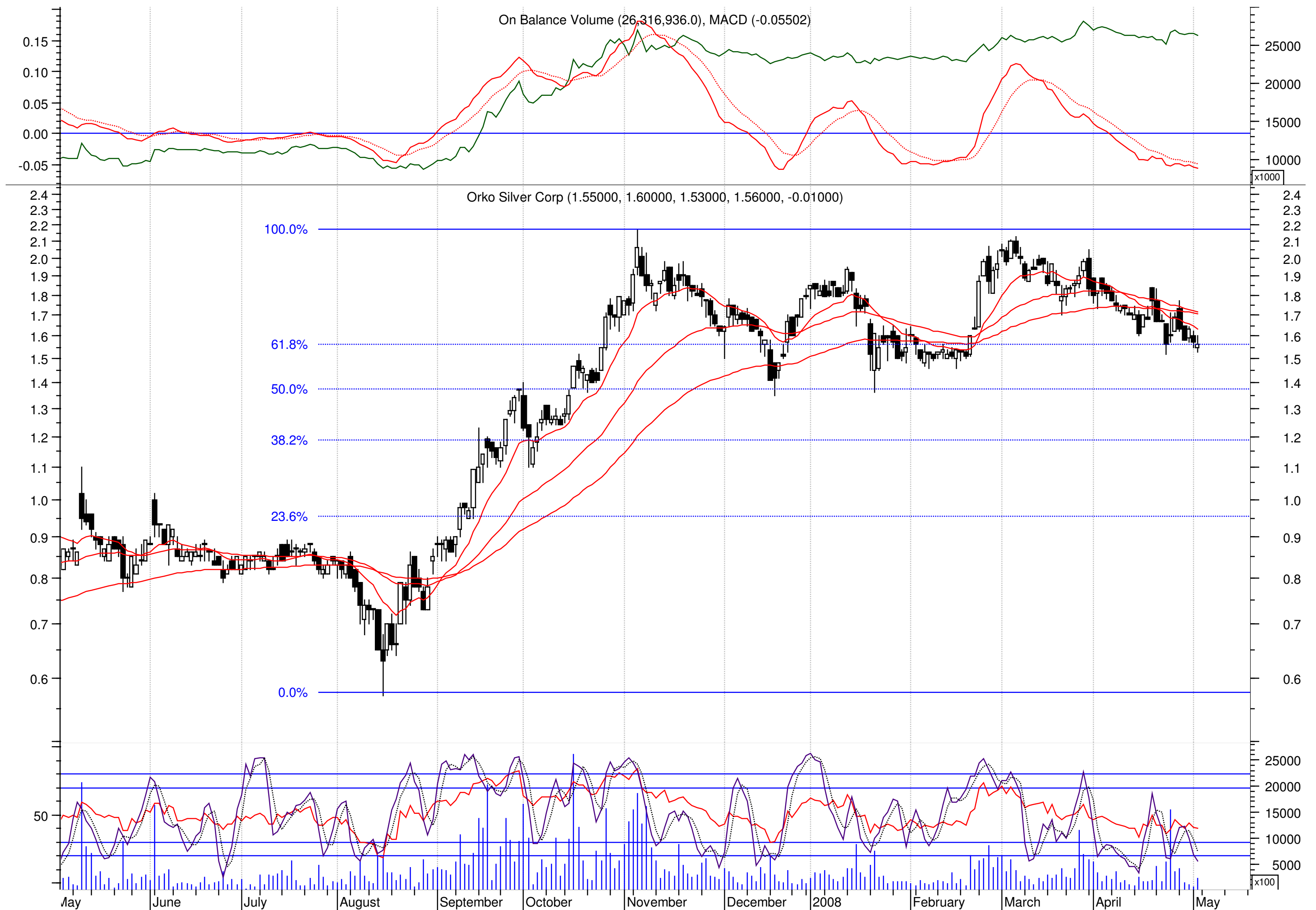
Lynden's first well of a six-new-well program on its Paradox basin project, located in southeast Utah, was spudded last October. Subject to the timely receipt of landowner and government approvals, the six-well program is expected to complete in the second quarter of 2008. All six wells are targeting multiple zones, many of which have already been successfully completed and tied into production as part of the company's Paradox basin project.

The Paradox basin project includes two contiguous oil and gas prospect areas covering in excess of 1,525,000 acres established by Lynden, its working interest partners, and the project operator, a middle-tier Texas-based oil and gas company with substantial experience in the area.

The Paradox basin project leaseholdings cover in excess of 126,000 acres; 110,000 acres in the Northern Prospect area and 16,000 acres in the Southern Prospect area. The operator is targeting gas production from shales and other Paradox basin lithologies. The operator's exploitation program is based on commingling production from multiple zones, which has been successfully done by other operators in the Paradox basin.

Orko Silver (OK-TSXv)

Daily Chart, Semi-log Scale



Continues to define wide, high-grade intercepts on Martha vein.

On April 28, 2008 Orko announced that assay results from the ongoing drill program at its La Preciosa project in Durango Mexico have yielded new wide and high-grade silver intercepts on the Martha vein. Significant intercepts on yet-unnamed veins have also been discovered.

Orko is currently drilling holes 236 to 240, and now has 85 holes drilled that were not included in their last resource estimate. These latest drill results increase our confidence in Orka's ability to continue to expand the size of the La Preciosa deposit at a rate of 6 million ounces per month. Orka has been adding to its resource by about 680,000 ounces of silver equivalent per drill hole. These last 85 drill holes are estimated to add an additional 60 million ounces to the total.

The market has been willing to reward Orka as their defined resource has grown. Given an anticipated resource definition rate of six million ounces per month, we have a $3 per share target on Orka.

Strong technical support is found at the $1.40 area, with resistance starting at $2.00. The share price is currently somewhat oversold and should provide good upside from here.

Peak Gold (PIK-TSXv; PIK.WT-TSXv)

Weekly chart, Semi-log scale

The creation of a new world-class intermediate gold producer

On March 30 Peak Gold announced a three-way merger with two other companies, Metallica Resources and New Gold. This transaction will create a new mid-tier gold producer with a market capitalization of approximately $1.6-billion. The combined company, to be called New Gold Inc. will have operations in Australia, Brazil, Mexico and new mine developments in Canada and Chile.

Shareholders of Peak Gold will receive 0.1 common share of New Gold for each common share of Peak Gold held. Shareholders will receive one share in New Gold for every 10 shares of Peak. Due to the share-exchange ratio in the merger, the new company will have approximately 235 million common shares issued and outstanding plus in-the-money options and warrants. Former Metallica Resources shareholders will own 45.7 per cent and former Peak Gold shareholders will own 37.8 per cent of the combined company.

The transaction creates a new intermediate gold company with operating cash flow and an impressive pipeline of development stage assets. Post-merger, the combined company will have:

- Proven and probable gold reserves of 3.2 million ounces, measured and indicated gold resources of 4.9 million ounces and inferred gold resources of 3.0 million ounces;
- Proven and probable silver reserves of 65.3 million ounces, measured and indicated silver resources of 15.8 million ounces and inferred silver resources of 2.6 million ounces;
- Proven and probable copper reserves of 986 million pounds, measured and indicated copper resources of 2.5 billion pounds and inferred copper resources of 918 million pounds;

- Estimated gold production of approximately 297,000 ounces in 2008 expected to increase to 335,000 ounces in 2009;
- Production growth through the development of New Afton, El Morro and the exploration of the combined company's extensive land positions;
- Estimated cash costs of approximately $340 per ounce of gold, net of byproduct credits, in 2008;
- Aggressive growth strategy financed by approximately $500-million in cash and short-term investments (including the potential cash proceeds from the exercise of in-the-money options and warrants), $120-million in investments, and significant operating cash flow;
- Proven board of directors with experience financing, developing and operating open pit and underground mines;
- Significant leverage to the current gold price environment through unhedged production.

Some of the brightest and most financially successful people in the mining industry are backing the merger. Among them is Seymour Schulich, who retired recently as chairman of Newmont Capital and early this month spent about $30 million on shares in New Gold – a stake that will give him about 5% of the merged company, also to be called New Gold Inc.

His long-time business partner, Pierre Lassonde will also have 5% of New Gold. They founded Franco-Nevada Corp and Dr Lassonde became president of Newmont Mining Corp after they sold Franco-Nevada. He is also chairman of the re-listed Franco-Nevada Corp and a shareholder in all three of the companies to be merged.

Ian Telfer, now chairman of Goldcorp, and Frank Guistra, founder of Yorkton Securities and, more recently, of Endeavour Capital and Fiore Financial Corporation, are also involved. Mr Telfer and Dr Lassonde will be on the new New Gold board.

And the man who has been put in charge, as chief executive, to guide the new New Gold into the future is Bob Gallagher. Mr Gallagher was Newmont's vice-president of operations, Asia Pacific, based in Perth,Western Australia.

Peak Gold was set up in April 2007 by Mr Telfer and Mr Guistra with the idea of repeating their success in growing Wheaton River Minerals. They took control of Wheaton in 2001, when they anticipated the gold price was about to recover and when its market value was about C$30 million. Three years later, after making some astute acquisitions and helped by the gold-price revival, Wheaton was acquired by Goldcorp Inc for C$2.45 billion.

Peak started out by acquiring from Goldcorp two non-core mines – Peak in New SouthWales, Australia, and the Amapari in Amapa State, Brazil. But that was only the beginning – Mr Telfer wanted Peak to grow, and grow quickly. Mr Gallagher was captured by Mr Telfer's enthusiasm, retired from Newmont in December last year and joined Peak in January. Soon afterwards came the meeting with Dr Lassonde and preparations for the three-way merger started.

The new New Gold will have operations in Brazil, Chile and Mexico as well as North America. Last month Mr. Gallagher was in London and Zurich talking to fund managers and institutional investors about the merger – to be completed by July if everything goes to plan, and judging from the performance of all three companies now joined at the hip, institutional investors like the prospects for the new company.

Rusoro Mining (RML-TSXv)

Weekly Chart, Semi-log Scale

From Russia with love – doing business in an unfriendly environment

Late last year Rusoro acquired 100% of Gold Fields' Venezuelan assets, including the producing Choco 10 mine in the El Callao district of Bolivar State, Venezuela, and completed an equity raise of $211.5 million. Rusoro's financial advisor is Endeavour Financial. Unfortunately, Venezuela and Hugo Chavez have been busy scaring away risk capital and resource investment through various property seizures and roadblocks. With a $1.86 average cost to our 100,000 shares clearly we made a premature bet here, notwithstanding the fact that most have paid substantially higher for this one – recalling their first big equity raise of $72 million at $3.90 equivalent in February 2007.

Still, with 100,000+ ounces of gold per year production and significant exploration upside, it's a cheap shot. We have strongly suggested that there is a special relationship by Rusoro's controlling Agapov family and the Venezuelan government – the Russian factor being a key element therein. We are anticipating further drilling results and a resource bump up at any time.

Last week neighbor-developer Crystallex took one in the heart when news hit that they would not be getting their necessary environmental permit. This news caused a sell-off in Rusoro, albeit on low volume. Clearly the large shareholders remain committed to Rusoro, and so shall we. In fact, we added 50,000 shares to our holdings at $1.068 on April 30th, and clearly stated our reasons and logic at that time. We have speculated previously that Rusoro may in fact be well-positioned to consolidate the region further, and certainly Crystallex's 15+-million ounces of gold would be a prize for anyone capable of advancing projects through to production in Venezuela, as Rusoro has proven itself capable of.

This play is all about risk and reward. High risk, yes, but the rewards will be measured in multiples from the current price. We measure the past achievements by Rusoro and its backers, both the Agapov family interests and Endeavour's creative and financial prowess, as significant evidence of their likely ability to navigate Venezuela's labyrinth and opaque political shoals.

Proven Venture Market Performance Since 1995

(c) 1995-2008 Growth Stocks Weekly. ALL RIGHTS RESERVED.

DISCLAIMER
Growth Stocks Weekly is an independent electronic publication committed to providing our subscribers with factual information on selected publicly traded companies, business, and economics. All companies are chosen on the basis of certain financial analysis, and other pertinent criteria with a view toward maximizing the upside potential for investors while minimizing the downside risk, whenever possible with the added aid of technical analysis. Growth Stocks Weekly and its editors do not accept compensation from public companies featured in this publication.

All statements and expressions are the sole opinions of the editors and are subject to change without notice. A profile, description, or other mention of a company in the newsletter is neither an offer nor solicitation to buy or sell any securities mentioned. While we believe all sources of information to be factual and reliable, in no way do we represent or guarantee the accuracy thereof, nor the statements made herein.

The publisher and the employees, staff and consultants of Growth Stocks Weekly are not registered investment advisors and do not purport to offer personalized investment related advice. The publisher, staff, or anyone associated with, or associated to, Growth Stocks Weekly may own securities mentioned in this newsletter and may buy or sell securities without notice.

The profiles, critiques, and other editorial content of the Growth Stocks Weekly may contain forward-looking statements relating to the expected capabilities of the companies mentioned herein. The reader should verify all claims and do their own due diligence before investing in any securities mentioned. Investing in securities is speculative and carries a high degree of risk. The information found in this profile is protected by copyright laws and may not be copied, or reproduced in any way without the expressed, written consent of the editors of Growth Stocks Weekly.

We encourage our readers to invest carefully and read the investor information available at the web sites of the Securities and Exchange Commission ("SEC") at http://www.sec.gov and/or the National Association of Securities Dealers ("NASD") at http://www.nasd.com. We also strongly recommend that you read the SEC advisory to investors concerning Internet Stock Fraud, which can be found at http://www.sec.gov/consumer/cyberfr.htm.
Readers can review all public filings by companies at the SEC's EDGAR page in the U.S. and SEDAR's electronic filing of securities information as required by the securities regulatory agencies in Canada at www.sedar.com. The NASD has published information on how to invest carefully at its web site.