HRA Journal

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We are now fully in the shift away from American wellbeing as the *determinant for global economic direction. The new reality is that weight must be given to varied strands of the world's market, and the ups and downs of them all held in balance to gauge direction. A tougher world for the market mavens who prognosticate by peering into a ball made of Fed crystal or NY glass. But then there is more room for stock pickers, which is not a bad thing.*

Corrections can offer up former laggards as new champions. That is happening for Globestar Mining that held to its base till recently. GMI is now seeing buying as both its longer term copper-gold development is ready, and its backup nickel exploration plan is generating discoveries. We have a full update of GMI.

We are also introducing a uranium explorer to Journal subscribers that has put discovery results from a Quebec project on the table; a large float from past financings required volume to lift its price, which means there is still ample opportunity to gain as it begins its second drill round this month.

Those who took gains from the balance of sector can now look to steady performers as potential new stars. That will be where most of this summer's opportunities come from.

David Coffin & Eric Coffin

Turning Point

With the correction in metal and oil pricing well underway, it is now a matter of gauging economic strengths to see the way forward for the sector. For the immediate future pricing of sector equities will be based on *perceptions* of how the correction should play out. These will generally come from stirring the entrails of economic stats.

The volatility we are seeing is about markets in general, not commodities specifically. Recognition that this is a different type of cycle was demonstrated by this year's first four months of trading. Commodities, in spite of healthy price runs, were "in". But this was after strong runs on Asian and European equity markets, stronger than those in the US even before currencies are figured into the picture.

Mixed portents are creating the volatility. That and uncertainty about changed base-markers. The biggest questions are still about how the US economy will do over the next several quarters, and how world stock markets will react to that.

The see-saw May we just went through has been about guessing what the US Fed will do on interest rates. US consumer confidence is falling as earlier interest rate hikes and high oil prices finally start to bite. And house prices in at least the most heavily bought areas of the country are falling.

When the May US Fed meeting notes came out last week, focus was squarely on inflation. The possibility of moving away from a gradualist approach to a 0.5% gain to the Fed Rate had been on the table. Given markets were being tossed around on guessing about whether a 0.0 or a 0.25 gain would happen, that discussion was a shock.

A consensus built, outside of Fed meetings, that inflation in the US economy is balanced by the likelihood of slowed consumer spending. A born-again thrift ethic is setting in in the US, as asset declines in housing and a Dow double peak early last month that troubles some technical analysts grip perceptions of the near future.

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In fact, while US inflation has been high for several months its annualized average is not much above 2%. Americans are finally feeling a slowdown coming, and don't need an interest rate jolt of reality. That should have happened a year ago. Now it would push a slowdown into at least a mild recession, by both strengthening the greenback and scaring off domestic investment. A 0.25% Fed Rate gain *may* happen this month, but if it does it could and likely should be the last one.

What is really needed now is acceptance that a shift away from US leadership is at hand. Accepting that Asia is resuming a market role it never meant to abandon, and that Europe is finally reaping the gains of having been the Cold War's front line. A perception not that the US is failing, but rather receding relative to other economic engines, will mean consolidation of resource prices at new bases well above the "highs" of past warehouse cycles. At prices that are needed to meet the demand of an industrialized economy tripling in size.

The LME spread between **copper**'s spot and 27-month LME bids is –26%, about where it has been for the past few months. The spread for **zinc** has grown to –29%, but its inventory stocks have declined by 40% this year and we think the large spread is mostly about a lack of attention by traders. The other inventory decline of note is for **nickel** which has only half the warehouse level it started the year with. One other LME note of interest is that last week it started electronic trading 6 hours earlier then before, thus allowing its and Shanghai's market to better meld.

We continue to expect gains for **gold and silver** as the US$ declines, after this month's Fed Rate setting if not before. It had been our intention to nip and tuck at our list this month, on an assumption that June would be the month for declines. We have put that aside for now, since we had counseled gains-taking for some months and see no reason to sell into lows. We do expect summer doldrums, but also fresh breezes come September. **Ω**

Speaking Dates

European Silver Summit
Zurich, June 6th.

World Gold, PGM and Diamond Investment Conference
Vancouver, June 11-12, 2006
http://www.cambridgeconferences.com/

Toronto Resource Investment Conference, Sept 23 & 24.
http://www.cambridgeconferences.com/

New Orleans 2006 Investment Conference; November 15-19th
http://neworleansconference.com/

Quebec Exploration Conference
Quebec City, November 20-23rd

Strateco Resources Inc (RSC-V)

Initializing Journal Coverage

Strateco Resources (RSC) is a company we have kept an eye on for a long time. We've known president Guy Hébert for many years and have a lot of respect for both his technical and his marketing skills. RSC was originally focused on gold projects in Quebec and had some successes, particularly with the Discovery Project. Last winter RSC added uranium projects to its holdings. We found the Matoush project in the Otish Mountains to be particularly impressive. Matoush was recently drilled by Strateco, returning some of the best uranium intersections we've seen outside of the Athabasca basin. These holes were noticed by the market but the large share float Strateco has to contend with meant huge trading volumes have been needed to clean up the stock. We think the trading bottom now has or will soon be reached.

The timing for this Journal look at RSC is threefold. We expect the shares to bottom as the final cheap placement from last winter frees up in a couple of weeks — much of it may be "pre-sold" by trading. Equally important, drilling will begin again later this month at Matoush. Finally, Strateco will be voting at its June 20th meeting on the spin out of its gold assets to a separate company. We think the gold shares could have a value equivalent to $0.15-25 per RSC share. That is a nice addition, particularly since we do not expect an equivalent drop in share price when the gold shares are distributed. Current buyers are in it for the uranium and don't really care about the gold assets. The combination of these factors makes this month an ideal time to accumulate the shares if you don't hold them already. With the strong holes in Phase I the next drill start should generate an increase in the speculative premium again and accumulating this month ensures you get the distribution of the gold shares to reduce your effective cost.
Speculative Buy outlook for drilling at Matoush and prior to the gold share dividend.

Corporate History

Strateco Inc was created in 2000 through a gold property spin-out and has been run by current management, spearheaded by Guy Hébert, since then. Strateco has cycled through a number of projects in the past six years, keeping a geographic focus in Quebec.

Over the past couple of years Strateco concentrated on a couple of adjacent gold projects in the Casa Berardi belt. The company had some successes there on the exploration front but the market simply wasn't interested. There was a brief flurry of trading that pushed RSC shares over $0.20 when it encountered strong gold grades at the Discovery project in late 2003. After that the share price flat lined in the $0.10 range for virtually all of 2004 and 2005.

Strateco was able to keep raising money due to the contacts of its management, at the market's terms. RSC closed numerous placements through 2005 and early 2006. This allowed the company to restructure its project holdings and pick up some very attractive uranium plays, but there was huge share dilution through this period in the $0.10—$0.20 range.

Normally we would be scared off by this kind of share structure but RSC has two things going for it - Matoush and management. Uranium stocks have been among the most resilient of all exploration plays and able to carry very high values. The large share float notwithstanding, RSC has generated drill results at Matoush that are only exceeded by a few Athabasca Basin players with much larger market values.

We've known RSC's president

Briefing Book

Strateco Resources Inc.

Listed: **TSX-V: RSC**
Pinksheets: STVZF
Frankfurt: RF9
Share Issue: 81 MM; 97 MM F.D.
Share Float: 60 MM

Working Capital:
$13 Million, $ 21 MM Fully Diluted

52 Week High-Low: $1.80- 0.06
Recent Price: $1.13

3 mo Av Daily Volume: 1.35 MM shs.

Phone #: **1-877-738-3882**

E-mail: **vbenard@bbhgm.com**

Website:
http://www.stratecoinc.com

Guy Hébert for many years. He has always been able to maintain liquid stocks, even if it wasn't at prices he might prefer. That ability combined with the huge speculative draw of uranium has allowed RSC's market to clean up nicely over past two months.

Since the beginning of April RSC has traded over 73 million shares at an average price of $1.14, slightly above the current range. This has allowed the holders of all those earlier placements to trade if they chose. The only exception is a 6 million unit placement that frees up in mid June. That placement *might* create some downward pressure but it only represents about a weeks trading volume so we don't expect this to be hard to digest.

RSC announced a placement at $1.25 before it released the first set of drill results and closed on 7.2 million units. The $9 million raised plus several million more from warrants exercise should be more than adequate to carry RSC through 2006.

Management

RSC is headed by Guy Hébert, a Quebec based geologist who has more than his share of success both as an explorer and a fund raiser. He has been awarded "developer of the Year" by the Quebec Prospectors association among several other awards. Guy served as president of several companies before Strateco but is probably best known as the chief executive of Audrey

Resources, now part of Cambior. The best measure of the respect Cambior had for Guy is that it named one of its northern Quebec mines after him.

Guy is joined on the board by Jean-Pierre Lachance, another geologist who has worked with Hébert for several years. He has held several management positions overseeing development of deposits as well and a number of years as a consulting geologist. Claude Hubert, honorary professor of geology at the University of Montréal rounds out the technical side of the Board of Directors.

The financial side of the industry is represented on Strateco's board by Jean-Guy Masse, Robert Desjardins and Francine Belanger. Masse is president of Northern Precious Metals Funds and has held several similar positions including a number of years as the president of CMP Funds. Desjardins is an accountant by training who runs a eponymous named company which provides financial services and designs new financial products. Belanger, who is Strateco's CFO, rounds out both the Board of Directors and the management team.

Projects Summary

Uranium:

Matoush, Otish Mountains, Quebec.

Strateco's uranium projects are the main reason for its valuation and will be its only holding soon so we will focus on them.

Matoush is located in the Otish mountains, 300 Km north of Chibougamau in north-central Quebec. The property is helicopter access and covers 1330 hectares. RSC originally optioned a 51% interest in the project from Ditem Exploration but changed the agreement to a 100% buyout in February of this year. Strateco holds an option to earn 100% of the Eclat project which is contiguous to the south with Matoush. Most of the area south of Matoush and Eclat has been staked by Cameco.

The Otish area has seen several periods of exploration activity for uranium. The most intense was during the early 1980's when the area was explored by Uranerz Exploration which conducted the first drilling that located the "AM-15" zone RSC is now testing.

The exploration target at Matoush is sediment-hosted, unconformity related deposits (an unconformity major break between two sets of rocks of very different ages) similar to those in the Athabasca Basin in Saskatchewan. The deposits are structurally controlled, hosted by faults that were conduits for circulating water that carried and deposited the uranium mineralization.

The deposits are generally found above but near the unconformity between the sediments and older volcanic rocks. At Matoush there is a spatial relationship between the uranium bearing zones and a large gabbro sill, a sheet-like body created from dense magma, or more specifically the alterated zones that flank it.

This is arguably the most important class of uranium deposits and certainly one of the most profitable. There are a number of mines in the Athabasca which are the mainstay of Cameco, the world's largest uranium producer.

Unconformity related deposits tend to have very high grades, sometimes 10% U3O8 or more, but very small "footprints" Geophysics is often useful for tracing the structures that host the zones but the areas of high grade uranium themselves do not generate anomalies.

Once found they are usually drilled using very small stepouts in order to trace them. Higher grades are often related to areas of higher porosity sediments. Recently, deeper "Mellenium" type (after a Cameco discovery by that name in the Athabasca) deposits below the unconformity have been targeted. At the Matoush property, the unconformity is expected to be about 200 metres below the area being drill tested. RSC plans to try and trace the uranium zones to depth and eventually test below the unconformity, an area that has not yet been drilled.

Strateco's Phase I program followed up on an earlier high grade intersection by Uranerz. Uranerz hole AM-15 returned 16 metres grading 0.95% U3O8. Strateco announced the results from 5 holes that bracketed this old intersection in May and the results were very good.

Drilling ran into problems with core recovery in the first couple of holes, but this was remedied and the three deeper holes all had 100% recovery. Hole MT-06-2, which was a twin of the Uranerz hole, intersected **18.2m @ 0.74% U3O8 including 7.6m @ 1.03% U3O8.** The grades in RSC's holes remained fairly consistent through the sections unlike the Uranerz hole that was heavily influenced by a 0.5m section that grades 20% U3O8. The highest grade interval for the RSC hole was 2.6% which gives more comfort that they will carry further in the zone. A 1% grade equals rock worth about C$900 per tonne, versus a mining cost of $100-150 per tonne, but the real importance is that these rival other projects for quality.

The most interesting results came from two deeper holes. MT-06-4 located 20 metres below hole 2, intersected two separate uranium intervals. The first narrower intersection of **3.5m @ 1.47% U3O8** is believed to correspond to the "Fault zone" intersected by AM-15 and hole 2 while a deeper thicker intersection of **14m @ 1% U3O8 including 9.1m@ 1.39% U3O8** is a separate occurrence that RSC dubbed the "Hangingwall zone". Hole MT-06-5 located 20 metres south of hole 4 followed the same pattern, intersecting **1.9m @ 1.19% U3O8** in the Fault zone and **11m @ 1.33% U3O8 including 9.5m @ 1.54% U3O8** in the Hangingwall zone.

One interesting note is that drilling did not encounter water inflows which is a major issue in most underground mines in the Athabasca. These are close spaced holes so the tonnage outlined to date is not yet large. That is the nature of this sort of drilling. RSC has just announced a Phase II 20,000 metre drill program will begin in mid-June. 30 holes are planned and that is likely to be increased as long as RSC is hitting uranium.

There are several kilometres of the Matoush structure that remain to be tested. RSC plans more geophysics to trace the structure followed by radon surveys to try and pinpoint areas that could have higher grades. These will be drilled in a follow up program. Matoush should be considered a drill speculation but the market should react strongly if RSC can show the Fault and Hangingwall zones have any real size potential.

Mont Laurier

RSC hold 100% of a 4700 hectare uranium project located immediately south of the Mont Laurier uranium project being explored by Nova Uranium (NUC-V). Uranium at Mont Laurier is hosted by white pegmatite and paragneiss though the area has some gross similarities to the Athabasca basin. Strateco's project protects a small uranium resource, the Hanson Lake zone, which contains 544,000 tons grading 1.5 lb/tonne U308 in pegmatite.

Another zone, the Tom-Dick, straddles the project boundary between the Strateco and Nova projects. Sampling by past operators who reported grades up to 11.8 lb/tonne. Strateco has not done any work at Mont Laurier yet but plans to fly the project in June and then send out crews to ground prove the anomalies and sample showings. That phase will likely be follow up with drilling. At present, Matoush is the real value creator but Mont Laurier could become more important if RSC's neighbour has some drilling success or if Strateco's own work finds some higher grade areas.

Gold Projects

Strateco holds a number of gold projects in Quebec, the most important of which is the Discovery project in the Casa Berardi area.

Management realized that buyers of the stock had little interest in the gold potential but felt the projects deserved more work. The solution to this is to spin out the gold projects into a new company, Cadescor Resources Inc, which will raise funds in its own to explore them.

Cadescor is acquiring the projects for 20 million shares, which will be distributed to Strateco shareholders pro-rata. Strateco shareholders on the record date will receive, approximately, one share of Cadescor for every 4.5 shares of Strateco they hold. The record date has not been announced but should occur shortly after the company's AGM on June 20th when the proposal will be voted on. Cadescor itself will list shortly thereafter.

The most important gold holdings are the adjacent Discovery and Cameron projects, located along the Harricana-Turgeon belt northwest of Lebel-Sur-Quevillon, Quebec. This highly productive belt of rocks hosts the Joutel, Casa-Berardi and Matagami gold camps. The bulk of the past exploration has taken place on the Discovery project.

Gold at Discovery is hosted by a subvertical gabbro sill that follows the trend of regional deformation. It has been crosscut by faults in several places and there are indications these faults may have helped fluid flows and enhanced grades nearby. Drilling by RSC and predecessors has exceeded 100,000 metres and has led to the discovery of three steeply dipping gold zones hosted by gabbro. In 2003, RSC hired SRK Consulting to do an initial resource estimate for the zone. Current inferred and indicated resources stand at 270,000 ounces at a grade of about 4.3 g/t.

While not a large resource, Discovery has the distinct advantage of being in a gold camp with nearby producers so infrastructure costs to develop it would be low. Cadescor plans to drill a number of the zones to depth and test some newer targets along strike before initiating a scoping study later this year. Chances of doing a deal with or shipping to a nearby mill seem favourable, and it's hard for RSC shareholders to argue with the price.

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Globestar Mining (GMI-V)

Upgrading from accumulate to buy as copper hedge, and as a nickel drill speculation.

Long on our list and long a laggard, Globestar has recently picked up steam with news on two fronts. Its main asset is the Cerro de Maimon copper-gold deposit (C-M) in the Dominican Republic, that is now has now ready to push forward to development. This comes as our contention that the project's most important upside was the potential for new discoveries within the VMS belt that contains it have been borne out by the Everton discovery some 12 km from the C-M site. Importantly, GMI is a partner in the other half of this EVR play and it appears that past drilling on the EVR-GMI joint venture ground did stopped short of the target horizon. Given the EVR-LRR discovery is within a few hundred metres of GMI ground, this is a very significant event for the C-M development.

However the most intriguing news this month from GMI was its discovery announcement on testing of nickel targets within the C-M mine lease that have returned results as strong as those on which Falconbridge started its Falcondo operation 10 km away. A program of both in-fill testing at the nickel discovery plus further discovery testing along Globestar's extensive holdings in the nickel belt have created an in-house speculation that has the potential to add hugely to GMI's valuation from a limited expenditure. The two have created a volume spurt for GMI that has moved it up over 60%, but continued strong nickel results can move it higher as consolidation finishes at each level. In the hyper-sensitive market we are now in, Globestar's previous lack of market focus is actually a benefit since it means new players will not be scared off by old peaks in its chart. In brief, patience can now be rewarded by either drill holes near term, or by cash flow potential now on the books.

Corporate History

The company started life as a Quebec based explorer under the name of Gwen Resources Inc, which was however essentially orphaned and inactive at the end of last cycle. In early 2001 it consolidated its share capital on a 1 for 4.5 basis, changed its name to TGW Corp. In August of that year Bill Fisher was appointed president and CEO. In November Karr Securities, controlled by Ontario's Ciccarelli family, applied for 12.88 million shares for debt (deemed 12.5 cents per) that brought it holdings to 22 million shares and completed the change of control.

Briefing Book

Globestar Mining.

Listed: **TSX Venture - GMI**

Shares Issued: **50 MM; 62 MM FD**
Share Float: **25 MM**

Working Capital : 2**$ million**

52 Week High-Low: **$1.47-0.37**
Recent Price: **$1.45**

3 mo Av Daily Volume: **75,000***
***1 mo Av = 170,600**

Phone #: ***+1-416-868-6678***

E-mail: **wfisher@globstarmining.com**

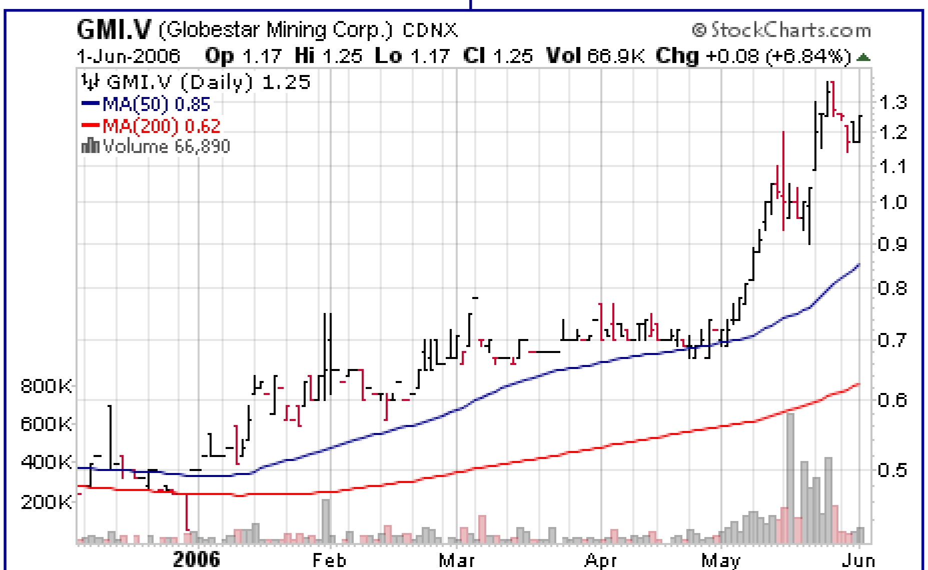
Website:

http://www.globestarmining.com/

Though this marked the start of the company's entrée in the Dominican Republic, its field efforts remained focused on diamond and gold project in Quebec until it acquired the C-M deposit from Falconbridge in April 2002. At the same time half of the C-M was sold by TGW to private 4Star group for cash and spending commitments.

In December 2002 the company reorganized on a 1 for 1 basis and changed its name to the current form, at which point it had 32 million shares out and completed placements at 50 cents (with full warrants priced at 65 cents) totaling 1.3 mm units. Of this 1 mm units was flow-through shares. It also closed an previously announced placement of 2.75 mm shares at 40 cents.

Because partners were paying most of the bills, the company held off on financings until a $5.5 million placement closed in March 2004. This was done at 75 cents and included an 18 month full warrant priced at $1.30; Karr maintained its % of GMI by taking almost half of this placement. The stock drifted lower after this placement as the market awaited feasibility study results for C-M, and assumed the worst. In April '05 GMI repurchased the 50% interest in C-M it had sold to the 4Star group, for $4.7 million cash ($1.5 mm net of advances by 4Star) and 3 million warrants. The May study release, which included a large cut-back of the resource base, did not please the market.



Last September GMI closed an 8.75 million unit placement, of shares at 40 cents and half-warrants at 50 cents. This was used to complete a revised study in November of last year that was strong enough to begin the process of share price recovery, and to arrange project debt. Release of results from nickel testing this past month has accelerated both volumes and price gains for the stock.

Of the 25 million shares not held by insiders, about 10 million are held by institutions and a further 1.5 million by Falconbridge. A lot of the balance is held by people close to the company, so this market is tighter than numbers might indicate. While some of this stock will dribble its way into the market now that it is seeing gains, we think most of it has been patient long enough that it will hold for higher prices. Strong results should not need a lot of volume to lift the stock, and turn over will eventually do that on its own as paper is cleaned up at various levels.

Management

Company President Bill Fisher is a Toronto based geologist who prior to taking on this role was VP Exploration for Sweden's Boliden mining group. Before joining Boliden, Fisher had worked with the Karr group during its discovery of a large VMS system in Brazil, and was part of mine start-ups in Africa and Australia. Board Chairman Larry Ciccarelli is VP of Karr, and with accountant John Ianozzi who is GMI's CFO represents Karr's interests on the Board.

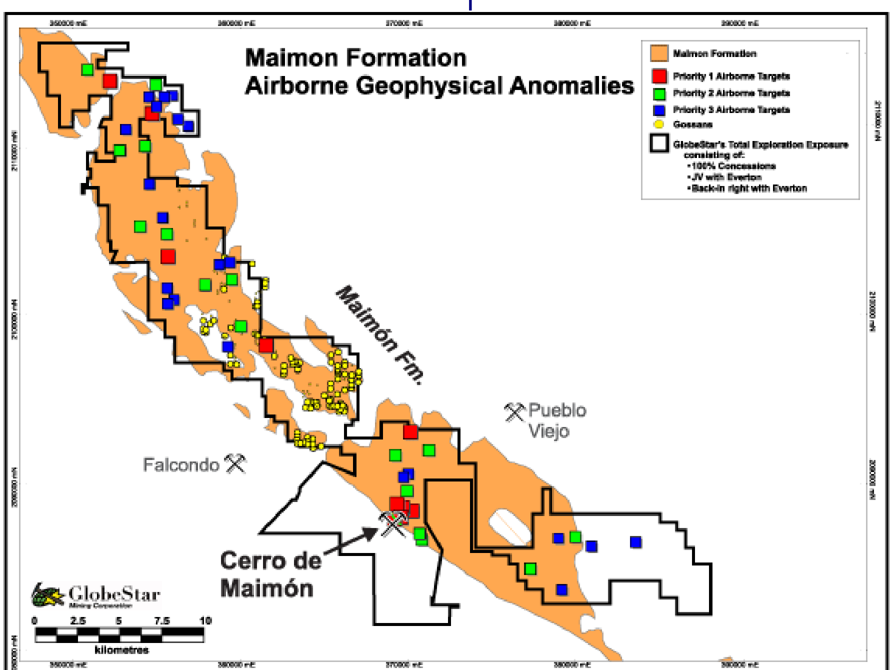
The independent Board members are metallurgist Richard Faucher, who is President of niobium developer Niocan Inc after stints with the Noranda-Falconbridge group, and with Princeton Mining bringing the Huckleberry copper deposit to production; and Terry Ortslan, a mining engineer and geophysicist who is highly regarded as a sector analyst and researcher who focuses on independent work for institutional clients after having worked for a number international finance houses.

In the DR the company's Exploration Manger Julio Espaillat who initially taught after completing mining and geology degrees in Wales and Italy, then spent 12 years with Falconbridge Dominica where he finished as Assistant Exploration manager in 2000. Cerro de Maimon Mine Manger Jose Antonio Ruiz is a metallurgist who ended his stint at the Pueblo Viejo mine as its General Manager.

While the company has until recently struggled in the market, it has been focused on putting together the right people to move the process along. This will be important now that the company is coming in to favour as the much of the market is sliding.

PROJECTS SUMMARY

The centre of the Dominican Republic is likely the most diverse and prolific concentration of metal deposits in the Caribbean. The 30 million oz Pueblo Viejo gold deposit being reactivated by Barrick Gold and Goldcorp is 15 km from the Falcondo (Falconbridge) nickel in laterite processor. Globestar's C-M copper-gold deposit in a third trend between Pueblo Viejo and Falcondo.



The Cerro de Maimon deposit was in fact discovered by Falconbridge, and it was sold to Globestar by slicing out a part of the Falcondo mining lease.

The past work had discovered several smaller deposits in the Maimon VMS trend, most of it is still open to further discovery.

Cerro de Maimon

The C-M is a typical VMS (volcanogenic massive sulphide) deposit that has been tilted up on edge so that its copper rich portion has been exposed and partly eroded away. The upper portion of the deposit is a weathered cap hosting a small, though relatively rich, gold-silver deposit that amenable to direct cyanide leaching. Underlying this is the copper rich sulphide deposit that will also generate some credits for gold and silver.

The zinc grades improve with depth and it is possible zinc will eventually become an important component, but that will be a post development decision.

Based on a year old estimate, the oxide deposit has a Proven and Probable Resource of **576,760 tonnes @ 2.56 g/t gold & 64.7 g/t silver, or a contained 47,500 oz of gold & 1.2 million oz of silver**. At $500 gold and $10 silver that is about US$35 million of contained metal, which could be close to its recoverable value at current prices. About 100,000 tonnes at similar grades did not move from the resource category and a portion of this would likely also produce.

The same estimate indicated the sulphide Proven and Probable Reserve of **2.6 million tonnes @ 3.5% copper, 1 g/t gold, 37 g/t silver & 1.7% zinc.** This was from a resource base of 4.9 mm tonnes @ 2.9% copper, which at current prices indicates considerable scope to extend the mine life. However studies continue to be based on this reserve size, the most recent of which was reported last November.

The November '05 optimization used "high" case metal prices (spot prices at that time) of $1.97 for copper, $0.73 for zinc, $479 for gold and $8.07 for silver. Though our long term copper base is not yet $2, we consider these to be reasonable for the current market .

Based on these prices and an 8% discount rate, the project had a NPV of $140 million and an internal rate of return of 89%. Using the "base'" case metal pricing that included a

$1.33 price for copper that we now consider low, the NPV was $61 million and the internal rate of return 50%. More to the point, the base case had a cash operating cost of $0.48 per pound of copper after allowing for gold and silver credits, and after a pre production capital cost of $40 million that includes a $7 million charge for stripping material that includes the oxide resource.

Early last month GMI announced that a $38 million project loan had been approved, which started it moving higher in an otherwise weakening market. The project should produce about 30 million pounds of copper per annum in the early going, at a cash cost below C 60 cents per pound. That would generate an operating net of about $40 million based on a $2 copper price, for the sulphide operation.

But that number does not allow for current precious metals pricing, or the output from an oxide circuit once it is running, or the strong gains for zinc that may make it possible to extract at least some of it as well.

A Net-Net for the company will depend on final optimization and closing of an equity financing that will still be needed to develop the project and maintain the exploration programs. And these are needed to finalize the timing of cash-flow. There is however enough on the table to see a much higher share price on initial earnings ratios for an operation that is positioned to sell forward at current prices.

The question of sustainable production will be answered by conversion of the C-M resource to reserves, the likely conversion of a portion of other known resources, and exploration success. Everton's Las Tres Bocas program is pointing the way to this.

Maimon Regional Potential
The Maimon formation volcanic rocks that contain the C-M deposit extend over a total strike in the order of 50 km. VMS deposits are created by venting onto the sea floor, with a series of deposits being created during narrow time periods. These deposits therefore line up along specific horizons within the volcanic pile that formed during the ore creating periods. There are a number of other known deposits on the C-M horizon, including the Loma Pesada with an inferred resource of 1.1 million tonnes of 2.2% copper. There is at least one other period when deposits formed, though its potential is not yet understood. GMI has over 40 targets on the books for testing in the Maimon rocks. Though not assured, if the Maimon horizon is typical it should generate more ore for the C-M plant as these are tested.

The Loma el Mate discovery by Everton (EVR-V) in its JV with Linear Gold (LRR-V) is immediately adjacent to the EVR-GMI (50-50) Cuance concession, and the discovery zone trends into this ground. Past testing at Cuance failed to penetrate a post mineral volcanic unit, so expansion in this direction is still wide open. David visited the ground just prior to the most recent drill start.

The EVR-LRR discovery, dubbed **Las Tres Bocas**, returned <u>10.6 m of 2% copper, 3 g/t gold, 105 g/t silver & 9.4% zinc;</u> a second hole returned <u>4.6 m of 0.7% copper, 1.4 g/t gold, 120 g/t silver & 8% zinc</u>. These were following up three broadly spaced holes announced in January that had returned a narrow high-grade copper intersect (0.4 m of 2.5% copper & 1.4 g/t gold) and a separate 6 metres of 1.7 g/t gold within weathered cap material.

The significance to GMI is that a new mineralized centre has been found in the Maimon Formation, within sight of Pueblo Viejo and about 12 km from its planned C-M development. Its immediate upside potential is in the adjacent Cuance ground, but simply locating a potential new ore source that would be easily road linked to its plant speaks to the Maimon upside. In addition to its own exploration concessions, GMI holds rights associated with a number of EVR's other VMS target areas.

Nickel in laterite

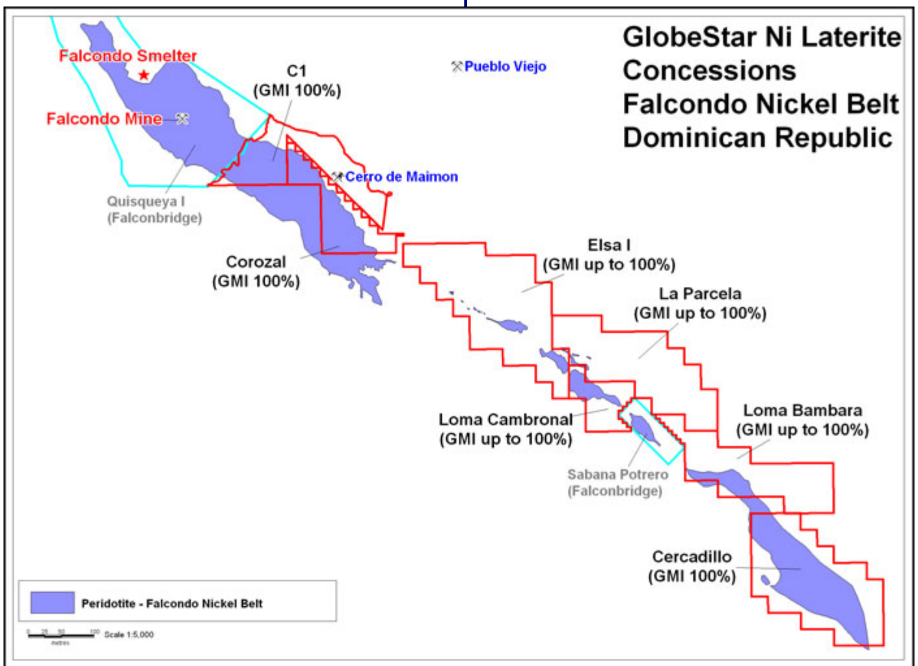
Laterite is a tropical soil horizon that can in essence act like a sponge and absorb some metals from formations underlying it. It is a source of nickel and sometimes cobalt in a number of locations, including Cuba and the Falcondo operation in the Caribbean. The Falcondo ore sits on top of peridotite, a dense ocean floor rock that is nickel enriched but not at high enough concentrations to itself be an ore source.

The Falcondo operation began in 1971 with material of similar grades to that discovered this year by GMI. Falcondo now has an average reserve grade of about 1.2% (though some higher grade resources) in laterite layers averaging 7 metres thickness. It has become Falconbridge's swing producer — in operation when prices are high, but idled during periods of low prices. This is in part due to its reliance on imported crude oil. Were a new plant to be built now, it would be looking for ways around the crude issue.

GMI's initial DR acquisitions from Falconbridge happened to satisfy DR law imposing maximum property holding by any one company. The new nickel discovery is within the C1 mine lease, but GMI holds over 40 km of prospective nickel trend after a just completed property swap with Everton (EVR took Pueblo Viejo type potential on the eastern end of the island). So its overall nickel potential is large enough to interest the major players looking for a piece of nickels market. It could become a strategic piece in the M&A chess game being played in the nickel sector.

Globestar announced results from an initial 25 hole program in mid May, with 21 of these holes cutting +1% nickel (Ni). Significant results included several holes of +16 metres at 2% Ni and another three of 18-19.5 m of 1.7% Ni. These better holes are clustered in a 1000 x 450 metre area, which at this point appears to have a potential upwards of 100,000 tonnes (200 million pounds) of Ni. But this is of course only a fraction of the GMI nickel potential.

This Crumpie Hill discovery is 8 km from the Falcondo plant, much closer then Falcondo's current mining, and would represent several years of high-grade through put for that operation. Given a current average grade of around 1.6% at Crumpie, verses a 1.2% reserve grade at Falcondo, it could add upwards



of $100 per ore tonne to the operating net at Falcondo. Just the current 5 million ore tonnes scale of the discovery would by itself represent a NPV to Globestar higher well above its current market cap.

This assumes of course that Falcondo would buy this material. At some point it will want it. Right now, Falconbridge is set to either merge with Inco on a friendly basis, or be bought out by Xstrata Plc or possibly a third as yet to bid party on a less friendly basis. Either way, Falcondo will have a new owner looking to justify the purchase with stronger output and/or bottom line.

Falconbridge's new owner could well choose to enhance the Falcondo bottom line with GMI material. Conversely, the losers (there will be two given Teck-Cominco is bidding for Inco net of Falconbridge) in this bidding war could view the GMI holdings as strong basis to start a new nickel operation in the DR. The history of output from the trend and the potential to reduce costs using new technologies make it a sound bet for this. And there is a lot of room in GMI's holdings to bring its resource base to a scale worth capitalizing.

Globestar continues testing laterite, both as in-fill to the discovery and to expand the resource by further discovery. More results like those already announced is all that is needed to move Globestar's price higher.

Other Holdings

Globestar also holds ground within the Los Ranchos formation that hosts the Pueblo Viejo deposit (including a portion of the Cuance ground). This includes several established gold and gold-copper resources mid way between Pueblo Viejo and Everton's new "Eastern" play in these rocks. Of these, the Cerro Kisko inferred resource of nearly 5 million tonnes at about 1% copper & +2 g/t gold looks most interesting, especially given the regional potential. It might be possible to process some of this at C-M.

GMI also holds the Moblan lithium and feldspar prospect in northern Quebec. It has the right attributes and is, for this region, well located in existing infrastructure. Though this is a left-in project that came with the shell acquisition, so to was the 50% of the Post Lemoyne gold project that GMI sold to Virginia last year for 160,000 pre merger VIA shares. GMI continues to hold a 0.5-1% NSR on Post Lemoyne, and royalties on industrial minerals in the DR.

While these holdings may generate future revenue for GMI, it be the on going nickel testing and anticipated testing of its JV portion of the Tres Bocas trend by Everton that represents its near term potential for gains. These are all GMI needs to continue the counter-cycle up trend in its share price.

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Updates

No one is going to pretend that May was a fun month. As we have been expecting, the sellers finally arrived in force. Some of this was (minor) Dollar strength, but mostly it was a reflection of concerns about global interest rates rising and choking off growth. The moves were prompted by a couple of poor reports which indicated higher inflation and that Japan will raise rates sooner than thought. The Bank of Japan has backpedaled a bit on that statement, but the damage was already done. There has been a HUGE amount of hot money taking advantage of Japan's zero interest rates and using those borrowed funds to play commodities, emerging market stock indices or just buying US Treasuries and pocketing the difference.

The worst is probably over now, but May did spook a lot of people. And there are many tired, jet lagged mining executive types who would be happy to have a quiet summer. We are expecting lower volumes and a drifting summer market. We should note that it might drift upwards as it did the past couple of years, and it should still provide some good bargain hunting opportunities for the patient. In particular, though we don't note any here, average Q2 metal prices are higher then in Q1 (we had liftoff) so most producers should have a better Q2s since they also have smaller debt loads. Lower multiple producers are therefore looking at gains on that reporting in July or August, barring a complete collapse of confidence that we consider very unlikely.

Bear Creek Mining (BCM-V; *$4.72*) released more results from Corani Este this month, but all eyes were on the Peruvian election. Drilling continues to extend the deposit to the east and north under post-mineral cover and the ultimate size of this new silver resource will be measured in the hundreds of millions of ounces. Like all other exploration stocks, BCM was hit by falling metals prices but it (and **Candente (DNT-V)**, another Peruvian explorer on our list) was also heavily weighed down by political concerns.

As you read this, votes are being counted in the presidential run off campaign. The good news, as of now at least, is that polling shows its unlikely that Ollanta Humala will win the run off. Former president, free-trade friendly Alan Garcia, is leading exit polls by anywhere from 8-12 %. Peruvians apparently believe this will be the outcome as they heavily bid up the Lima Stock Exchange, currently the world's biggest percentage gainer this year. A Garcia win should help lift most Peruvian explorers and should make it easier for Bear Creek to recapture some of its lost market value. It may still have to contend with occasional silver price weakness however, so we maintain an outlook of ***accumulate on silver weakness.***

http://www.bearcreekmining.com

Contact: +1 *604-685-6269*

Copper Ridge (KRX-V; *$0.21*) has begun a new targeting round at its Lucky Joe copper-gold project in Yukon. An open mind is being kept about what geological model best fits this project, so the targeting work will focus on what is actually known rather then what is hoped for. We still consider this very large target prospective, and will have more to say on it before the this year's first set of drill results are out. We maintain and accumulate outlook until drills are actually turning. This is another laggard that could have its day by delivering strong results. ***http://www.copper-ridge.com/***

Contact: *+1 604-688-0833*

Everton Exploration (EVR-V; *$1.10*) put out some strong Dominican Republic results from the same trend that hosts the Cerro de Maimon (C-M) deposit (see the GMI review). Results from its Loma el Mate JV with Linear Gold **included 10.6 metres of 2% copper, 3 g/t gold, 9.4% zinc & 105 g/t silver**, and a second hole in the same target area cut **4.6 metres of 0.75% copper, 1.4 g/t gold, 8.1% zinc & 120 g/t silver.** This project is about 12 km from C-M, and a short walk from the existing road base. Like C-M this zone has good grade gold-silver in oxides layer overlying the sulphide deposits, which offers a rapid capital repayment potential.

This round of drilling followed up on results from a three hole program last year, and its broad spacing means it's too soon to gauge tonnage potential. Given the regional picture we consider these results quite likely to pay off for the JV one way or another, and expect greater market interest when the drill returns to the project. However EVR's big picture potential is still on the eastern end of the DR and in the Eleonore area of Quebec, both regions that are moving to drill targeting over the summer.

Speculative buy on weakness

http://www.evertonresources.com/

Contact 1-800-778-0263

Liberty Mines (LBE-V, *$0.70*) had a quiet market this spring which was a blessing in disguise when May rolled around. The stock held up well through a poor month, thanks to the fact that management seems to be delivering on its plan. Small scale production at 200 t/d has begun at the Redstone nickel mine. The lack of a mill means a very expensive haul to Cobalt ON for equally pricey toll milling but the current high nickel price makes the exercise a profitable one. LBE can generate close to $1 million a month at $9-10 nickel prices and hopes to move along its development work at Redstone and McWatters with cash flow. Work is also ongoing at McAra Lake to grow the cobalt/copper zones to a size that would make a deal doable there.

The market has always had some scepticism with bootstrap deals (usually for good reason) but Liberty's management has been delivering on their plan. If the nickel price holds at present levels and investors get to see these new cash flows appearing on the bottom line we would expect the market will keep warming to the story. Drilling continues at Redstone to enlarge the resources and bring it up to 43-101 standards. If LBE can prove enough tonnage to justify a larger operation for 5+ years the market is likely to take it a lot more seriously. Especially if its done out of cash flow.

Accumulate on market/nickel price weakness (if nickel stays above $8.00)
http://www.libertymines.com
Contact: ***416-238-5727***

Minera Andes (MAI-V, $1.35**)** released results from the recent drill program at the Los Azules copper project which were very impressive. The new results included **221 m @ 1.7% copper in hole AZ-06-19** and **176 m @1.0% copper in holes AZ-06-20**. Much of the new drilling took place on the ground that MAI is earning from Xstrata PLC that is north and adjacent to MAI's own Los Azules holdings.

Although there were some lower grade areas its clear that Minera Andes is on to something with the potential to be a major copper deposit. It's winter now in Argentina which will delay the next drill phase but it seems safe to assume MAI will go at this project hard once the snow melts again. MAI's agreement with Xstrata calls for it to spend at least $1 million over four years and deliver a "pre scoping study" report. Xstrata then has a one time right to earn back to 51% of MIA's interest in the project by paying MAI three times its expenditures and funding the project to feasibility. It already looks like Azules will meet Xstrata's size requirements. The agreements wording opens the door for MAI to undertake a very large drill program at Azules. If results continue to be good Xstrata will have to write that much larger a cheque to get back in.

Thanks to sliding copper prices, the impact of a seasonal drilling halt, and MAI's large share float the news caused little stir. It did probably help Minera Andes price to stabilize at current levels. Azules has the potential to add a lot of value to the company though it won't happen overnight. Mainly, its just more proof that MAI is managed by some real mine finders and that there is always room for another discovery. A move through $2 as the next drill round approaches is likely. ***Accumulate***
http://wwww.minandes.com
Contact: ***509-921-7322***

Nova Uranium ***(NUC-V, $2.31*****)** released results for the first five holes at Mont Laurier. All results released are from holes testing the "Nova B" zone. The B zone was the simpler place to start for logistical reasons. While there were uranium intersections in four of the five holes they were mainly narrow and of low grade. The best intersection of the group was 2.2 m @ 1.5 lb/t (O.075%) U3O8 in holes NV-06-01.

Clearly, these are disappointing results and the market has reacted accordingly. The volume was a fairly light however and NUC's market looks balanced now. Nova is currently drilling hole 28. The first 15 holes were drilled on the B zone and holes 16 onward are testing the A zone areas. Nova has been taking scintillometer readings of all core and is beginning to use these readings to select core sections to be split and sampled, which should speed logging and analysis considerably.

NUC plans to add an additional six holes in the A zone area which will be drilled last off the drill access road. Nova would like to avoid disappointing investors twice so they will probably wait until hole 18 (which is in the lab) is assayed before releasing more results. This should take 2-3 weeks.

Given how strongly NUC moved earlier in the year we had suggested in March and April that you sell enough to have a free ride. That would make the current drop easier to take. If new holes north of hole 18 also have strong counts and if hole 18 and a couple of the surrounding holes generate results in the 3-4 lb/ton plus range the price could lift again. We're not saying that those results alone would prove there is something mineable. It will take a lot of holes to do that and NUC will have to prove itself to the market all over again.

That said, we are continuously surprised by the strength and resilience of most uranium explorers, and NUC does not have a large current market value relative to most of them. The stock is likely to drift until more results arrive. If that doesn't suit you can take more money off the table but there are enough showings on this project, including never tested ones like the Tom with high surface grades, that it still has the potential to generate results to keep the uranium bulls onside.

Hold for Nova A Results.
http://www.novauranium.com
Contact: ***1-800-398-5645***

Radius Gold (RDU-V; $0.67) announced that Meridian Gold, its JV partner at the Natividad project in Nicaragua, has begun a Phase II drill program of 4800 metres. Drilling will be focused on the zones that Meridian worked last year with about 30 percent of the drilling allocated to new showings. Last year's drilling at Natividad disappointed the market and the Radius' share price has yet to recover from that. In that sense at least, RDU would qualify as a company that has not had a big share run up that needs to be digested.

Given the low expectations for this project by investors there is little need to chase the stock just because drilling has begun again. This update is more of a heads up, for the moment. Now that drilling has started Radius is a stock worth monitoring. In spite of the market's reaction, what had looked like a very strong project based on surface trenching turned into something more of a work in progress, emphasis on work. There were also some good results that could be the basis for a system of mineable scale, and it is not unusual for several drill programs to be needed to sort out the details of a system in a new terrain. If Natividad produces a number of positive surprises RDU has room to move up but it makes more sense to put it on a watching brief and save any trading until results begin to arrive.

Hold for drill results
htto://wwww.radiusgold.com
Contact: ***888-627-9378***

Selkirk Metals (SLK-V; *$0.85*) has fared very well through the last month's market and should be getting ready to start delivering results. Work was held up by cold weather that delayed opening the road, but the excavator is now on site and drill rigs whould be turning at the E Zone in about a week. Zinc has also held up well in relation to othe base metals, and we contiue to think it will be the strongest performer among the base metal complex through the next year.

In addition to gearing up for Ruddock Creek, SLK has been busy farming out some of its other projects, to juinior partners who are paying in shares and not expecting to just take over the game. Several of these projects will also see work this summer. We still think Ruddock is by far the most important project but added news flow from a number of pther properties can only help.

Spec buy for Ruddock Creek exploration
http://www.selkirkmetals.com/
Contact: ***604-687-2038***

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