

March 14, 2011

*A clarion is a medieval trumpet that had clear, shrill tones. Trumpets were often used to get people's attention when making announcements. We are also using "clarion" in the context of making announcements, as well as being thought-provoking when sharing our information and opinions with those people who are interested in new investment ideas.*

### **for your Information**

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### **Topic: Bull Market Correction**

It does not matter what the issues are, viz., higher oil prices choking off economic growth, China's trade deficit signalling a slowdown in that country's surging economy, European sovereign debt problems, a tragic natural disaster in Japan, U.S. consumer confidence slugging, interest rate worries, inflation worries, bond bubble worries, etc., the list goes on, the market is due for a correction. Almost on cue, two years to the day, on march 9<sup>th</sup>, the markets fell off a cliff.

In our Clarion of January 24, 2011, we said that the bull market was running out of steam and that a market correction, which we pegged at 5%-7%, would be a healthy occurrence for the bull. Timing is everything, of course. Since then, the DJIA advanced a further 4.4%, the S&P500 rose an additional 4.7%, and the commodity-laden S&P/TSX Composite went up 8.1%. Our January 24 prognostication translates into the following downside targets: (1) DJIA: 11,150; (2) S&P500: 1,200; and (3) S&P/TSX: 12,400.

Our targets represent a decline from the respective 2011 highs as follows: (1) DJIA: 10.0%; (2) S&P500: 10.7%; and S&P/TSX: 13.5%. These are not staggering declines. Thus, from here, to reach our downside targets, the indexes need to fall: (1) DJIA: 7.4%; (2) S&P500: 8.0%; and S&P/TSX: 9.3%.

The economic recovery in the United States will be slow. This is a good thing. We need to wring out the lavish Spend, Spend, Spend attitude deeply ingrained in the American psyche. It seems to be occurring. Again, this is a good thing. A slow, but progressive, revival in the U.S. economy, built on responsible consumer spending and the creation of corporate jobs will translate into a winning stock market. That is not to say the United States does not face major economic hurdles. The amount of its deficit and the inflationary flames of its monetary stimulus can only lead to a continued weakening of the American dollar, and the prospect of having to give up, forced to give up, its role as the world's reserve currency. This could be a bitter pill for the Americans to swallow. But never under-estimate the resolve and the tenacity of the American people.

*Bob Weir*, CFA, and Managing Director, Research Services

## Quick Facts

### One Year Chart (VGM)



Source: [www.bigcharts.com](http://www.bigcharts.com)

**Price (Mar. 11/11):**

**\$0.40**

**52-Week High-Low:**

**\$0.45 - \$0.125**

**Average Daily Volume:**

**50-day: 58,900**

**200-day: 49,800**

**Shares Outstanding:**

**32.5 million**

**Market Capitalization:**

**\$13.0 million**

**Year-End:**

**December 31**

**Symbol: TSX-V: VGM**

**Website:**

[www.virginmetals.com](http://www.virginmetals.com)

## Stock-of-the-Week

### Virgin Metals Inc. (VGM: TSX-V)

Virgin Metals is a junior exploration and development company with three molybdenum-copper projects:

- (1) The flagship project Los Verdes (State of Sonora, Mexico) has an NI 43-101 compliant pre-feasibility study (July 2008);
- (2) The Cuatro Hermanos project (Sonora, Mexico) has an NI 43-101 compliant resource estimate (August 2008);
- (3) The Topper project (Nevada, USA) has been subject to reconnaissance prospecting, rock chip sampling, and geologic mapping.

Virgin Metals Inc. has refocused. In September 2010, new management was installed and immediately proclaimed an ambitious program for 2011. Later in 2010, shareholders supported the plans and invested \$1.6 million into the Company.

Virgin Metals' flagship, the Los Verdes project (copper-molybdenum-tungsten-silver), should get an updated review of the existing pre-feasibility study later in 2011, and the Cuatro Hermanos project (copper-molybdenum) should be further explored in search of higher grade targets.

The Company's development budget for the next 12-18 months, including the updated PFS and exploration, is \$2.0 million. We estimate that Virgin Metals currently has about \$1.4 million in cash, and expect that the Company will raise around \$1.5 million in equity financing in 2011.

New management and a viable action plan should spur investor interest. Once the market "discovers" this revitalized company, its stock should be a star performer.

However, our 12-months Target Price of \$1.85 per share is dependent upon the new management team executing its strategic plan. We have confidence that they will.

Additional information on Virgin Metals Inc. is provided on our website:

<http://www.eresearch.ca/profile.asp?companyID=624>.

**New eResearch  
Material Since  
March 1, 2011:**

**1. Initiating Reports**

**Microbix  
Biosystems Inc.  
03/09/2011**

**EGI Financial  
Holdings Inc.  
03/09/2011**

**Strike Minerals Inc.  
03/04/2011**

**Purepoint Uranium  
03/03/2011**

**Virgin Metals Inc.  
03/01/2011**

**2. Update Reports  
and Bulletins**

**Big Six Cdn Banks  
03/10/2011**

**Golden Dory Res.  
01/25/2011**

**TheMAC Resources  
03/10/2011**

**Adex Mining Inc.  
03/08/2011**

**3. Analyst Articles**

**None**

In addition to these reports and articles, our full complement of research is available at [www.eresearch.ca](http://www.eresearch.ca)

**BriefCase**

**NewsBytes from March 1 – March 11, 2011**

Additional information on the companies featured in NewsBytes may be found at [www.sedar.com](http://www.sedar.com), and at [www.eresearch.ca](http://www.eresearch.ca).

For the latest eResearch publications, see sidebar opposite.

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**Nortec Minerals Corp. (\$0.36 - March 1, 2011; NVT-TSX-V/WMQ-Frankfurt)** .... Nortec has confirmed the presence of gold mineralization in the northern part of the Company's Tammela project in southern Finland (100% interest). Highlights include 37.7 metres at 1.03 g/t Au from 51 metres (Hole R330 Satuulinmaki prospect); 10.0 metres at 2.47 g/t Au from 20 metres (Hole R356 Riukka prospect); 2.50 metres at 6.81 g/t Au from 61.35 metres (Hole R357 Riukka prospect)

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**Mad Catz Interactive, Inc. (\$1.78 - March 7, 2011; MCZ-TSX/AMEX)** .... Mad Catz announced the start of shipping for its range of licensed *WWE® All Stars™* products for the Xbox 360® video game and entertainment system from Microsoft® and Playstation® 3 computer entertainment system. The Company had earlier announced an agreement with Electronic Arts Inc. to produce branded PC and console videogame accessories based on "The Sims™" franchise. It also reported that it had acquired the assets of V Max Simulation Corporation, a provider of flight simulation services.

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**Spanish Mountain Gold Ltd. (\$0.51 - March 9, 2011; SPA-TSX-V)** .... (1) Spanish Mountain Gold closed its private placement offering, issuing a total of 6,410,257 common shares on a flow-through basis at \$0.78 per flow-through share, for gross proceeds of \$5,000,000. (2) The Company announced details of the work programs to be completed on its projects over the coming field season. Drilling at the Spanish Mountain gold project in south-central British Columbia is to begin in mid-March 2011. At Cedar Creek, the western extension of Spanish Mountain, at least 4,000 metres of drilling is scheduled to begin mid-May, and additional soil geochemistry over an area of eight square kilometres is to be conducted in the 2011 season.

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**Reko International Group Inc. (\$0.75 - March 10, 2011; REK-TSX-V)** .... Reko reported results for the second quarter ended January 31, 2011. The net loss for the quarter was \$1.3 million, or \$0.20 per share, compared with \$1.9 million, or \$0.29 per share, in the corresponding period of the previous year. For the six months, the net loss was \$2.5 million, or \$0.40 per share, compared with \$3.0 million, or \$0.47 per share.

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## Opportunity Knocks

At the present time, eResearch has no positions available.

If you are interested in learning more about eResearch, please contact Bob Weir at the following:  
[bweir@eresearch.ca](mailto:bweir@eresearch.ca).

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all capital markets”

## Monthly Top Ten

(Includes reports and articles only)

The top ten downloads from [www.eresearch.ca](http://www.eresearch.ca) since February 1, 2011:

1. SLAM Exploration Ltd., Review, March 4/February 3
2. Adex Mining Inc., Update Report, March 4/February 10
3. Purepoint Uranium Group Inc., Update Report, March 3/February 10
4. Spanish Mountain Gold Ltd., **StockPotentials**, Feb. 18/January 27
5. Virgin Metals Inc., Initiating Report, March 1
6. Strike Minerals Inc., Initiating Report, March 4
7. Nebu Resources Inc., Perspective, February 10
8. Buhler Industries Inc., Perspective, February 10
9. The Westaim Corporation, **StockPotentials**, January 31
10. Duran Ventures Inc., Perspective, February 25

## Bi-Weekly Top Five

(Includes reports and articles only)

The top five downloads from [www.eresearch.ca](http://www.eresearch.ca) since March 1, 2011

1. SLAM Exploration Ltd., Review, March 4
2. Adex Mining Inc., Update Report, March 4
3. Virgin Metals Inc., Initiating Report, March 1
4. Strike Minerals Inc., Initiating Report, March 4
5. Microbix Biosystems Inc., **StockPotentials**, March 9