

June 9, 2008

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

Two weeks ago, in our Topic, we discussed commodities and how some, notably oil, were going higher and higher.

Last Friday saw the price of crude oil jump \$10.75 per barrel to close the week at \$138.54 per barrel. The 8+% rise was an all-time daily record and probably shocked everyone.

The gist of the article two weeks ago was that if the price of a commodity rises to the point where it causes economic hardship, users will seek a cheaper substitute. Not so easy if the demand for that commodity is inelastic.

Many countries (not Canada! Au contraire) have been subsidizing the cost of fuel for their nationals. A costly endeavour, this is coming to an end. In some instances, riots have resulted.

As the price of the pump escalates ever higher, people will cut back and drive less. It also means they will seek to purchase more fuel-efficient cars. The automobile companies are starting to get the message.

What might high pump prices do to the price of distant cottages?

Topic: CPI Components

The world of economics constantly moves in cycles, up, down, up again, down again, etc. The key is being able, correctly, to anticipate them.

Inflation has been essentially "dead" for a long time. Over the last fifteen years, other than a few burps, the total Consumer Price Index (CPI), on a year-over-year basis calculated monthly, mostly has stayed below 3.0%. Core CPI, which excludes the eight most volatile components (fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, intercity transportation, and tobacco products, and together accounting for 19% of total CPI), only once exceeded 3% during this period.

The Government too loudly trumpets the containment of inflation by using the "Core CPI" rather than total CPI. Looking at that exclusion list, the primary components deleted to calculate "core" are food and fuel.

But these are the essential components of North American life. We eat. We drive. We heat our homes. We have a mortgage. We take the bus (sometimes). As the price at the pump (see *for your Information* in the sidebar) spirals upwards, we may be taking the bus more and more. But the bus uses fuel too! With food and fuel prices rising, inflation is on the march.

Higher inflation means increasing pressure on the currency. The Government uses higher interest rates to quell demand and, therefore, relieve inflationary pressures. Higher interest rates are not good for fixed-income investments. But if you need to borrow money, you should consider locking in current lower rates for a longer time-frame.

As we have stated in these columns numerous times, we are in a commodity bubble. It may last a long time yet but, when it breaks, the combination of higher inflation and a burst bubble cannot be good for the stock market.

Bob Weir

Bob Weir, B.Sc., B.Comm., CFA
Director of Research

Quick Facts



**Closing Price
(June 6/08):**
\$0.90

52-Week High-Low:
\$1.41 - \$0.465

Target Price:
1-Year: \$1.80

Average Daily Volume:
20-day: 138,000
150-day: 72,800

Fiscal Year-End:
December 31

Symbol:
TSX-: SLV

Stock of the Week

Stealth Ventures Ltd. (TSX-V: SLV)

The shares of Stealth Ventures sprang to life last week after lying fairly dormant for more than two months. Last Monday, volume spiked to 1.5 million shares, and trading activity over the week was much greater than during the preceding two months.

The adage ‘Where there is smoke, there is fire’ might be applicable to Stealth Ventures. Last Monday was not the only day to see substantial trading in the stock. Two months ago, in a single trading session, more than 2.2 million shares exchanged hands. Astute positioning, perhaps.

Stealth Ventures Ltd. is a junior oil and gas exploration and development company focused on “unconventional” gas reserves, including shale gas reservoirs in Alberta and coal-bed methane in Nova Scotia.

Oil and gas in an unconventional pool is trapped in non-porous rock formations that do not allow the oil and gas to flow. Shale gas (trapped in non-porous rock) and coal bed methane (trapped in beds of coal) both require heavy fracturing and, usually, horizontal drilling. Higher oil and gas prices are making these unconventional plays more enticing. But only for well-funded companies.

Stealth Ventures recently raised more than \$22 million with the funds earmarked for accelerating the on-going development of its shale gas properties.

The shares of Stealth Ventures are currently selling around \$0.93, and are sitting about half way between their 52-week high-low. We have a one-year Target Price of \$1.80. With the prices of natural gas and crude oil reaching new highs, any success with the drill bit should be reflected immediately in the share price.

New Research Material
for the week ending
June 6, 2008:

1. Initiating Reports

[Petaquilla Minerals Ltd](#)

(06/04/08)

2. Update Reports/Analyst Commentaries/Bulletins

[Pacific Comox Resources](#)

06/02/08

[Petaquilla Minerals Ltd](#)

06/06/08

[Homeland Energy Group](#)

06/04/08

[Royal Roads Corp](#)

06/04/08

[CIBC – Q2 Review](#)

(06/03/08)

[RBC Financial Group](#)

(06/03/08)

[TD Bank Financial](#)

(06/02/08)

[National Bank](#)

(06/02/08)

[Radisson Mining Resources](#)

(06/02/08)

3. Analyst Articles

None

Performance

A. 6 Month

The following comments were made on June 2, 2008: There were no Initiating Reports published in December 2007, but eight Update Reports and one Analyst Commentary. Of the total, six companies were from the financial sector, and the other three were from mining. The best performer was **Purepoint Uranium Group Inc.**, which rose 51% during the six months, but only achieved 33% of our Target Price. Another good performer was **HiHo Silver Resources Inc.**, a company quoted on the CNQ Exchange, which rose 40% but reached only 40% of our Target Price. After a serious decline last November, **Skyline Gold Corporation** rallied a bit over the ensuing six months. The bank stocks did not fare well over the last half-year, which is no surprise given the difficult financial lending markets we have had. The credit squeeze affected almost all of them in some form or other. **Integrated Asset Management Corp.** rose 24% in the six-month period, but was well shy of our Target Price of \$3.00. In the past six months, the Financial Services index declined 9.9%, but the Materials Index is up 19.0%. However, this latter index does not contain junior mining companies. While gold, silver, copper, and platinum have been rising, uranium, zinc, lead, and aluminum have been falling. The performance of the TSX has been fairly good over the last six months, up 7.5% as a result of the strong energy sector (including oil and potash), but the TSX Venture Exchange has fallen 2.9%.

Company	Symbol	Report Type	Report Date	Report Price	Target Price	<Last 6 Months> High	<Last 6 Months> Low	% Gain to High	% of Target
HiHo Silver Resources	HIHO	UR	13-Dec-07	\$1.00	\$2.00	\$1.40	\$0.35	40%	40%
Purepoint Uranium Group	PTU-V	UR	12-Dec-07	\$0.41	\$1.05	\$0.62	\$0.205	51%	33%
National Bank	NB-T	UR	5-Dec-07	\$53.15	\$57.00	\$54.25	\$43.60	2%	29%
Skyline Gold Corporation	SK-V	AC	4-Dec-07	\$0.13	\$0.35	\$0.18	\$0.09	38%	23%
Integrated Asset Mgm't	IAM-T	UR	19-Dec-07	\$1.40	\$3.00	\$1.74	\$1.10	24%	21%
TD Bank Financial	TD-T	UR	3-Dec-07	\$71.80	\$86.00	\$74.30	\$58.57	3%	18%
ScotiaBank	BNS-T	UR	11-Dec-07	\$52.40	\$60.00	\$53.45	\$42.00	2%	14%
RBC Financial	RY-T	UR	5-Dec-07	\$53.10	\$63.00	\$53.80	\$42.82	1%	7%
CIBC	CM-T	UR	11-Dec-07	\$82.40	\$90.00	\$82.50	\$56.25	0%	1%

I = Initiating Report; U = Update Report; AC = Analyst Commentary; T = TSX; V = TSX Venture; Q = CNQ Exchange

Note 1: Purepoint Uranium assignment was not renewed in January 2008.

Note 2: ScotiaBank Target Price reduced to \$56.00 in March and to \$55.00 in May.

Note 3: CIBC Target Price reduced to \$75.00 and Recommendation to Sell in December; and to \$73.00 in January.

Video Library

[Homeland Energy Group](#)

(06/06/08)

[Petaquilla Minerals Ltd](#)

(06/04/08)

[Victhom Human Bionics](#)

(06/02/08)

[Sage Gold Inc.](#)

(05/29/08)

[Anglo Canadian Uranium Corp](#)

(05/26/08)

[Integrated Asset Management Corp](#)

(05/20/08)

[Royal Roads Corp](#)

(05/15/08)

[Sego Resources Inc](#)

(05/15/08)

[Skyline Gold Corp.](#)

(05/12/08)

[Starfield Resources Inc](#)

(05/09/08)

B. 12 Month

The following comments were made on June 2, 2008: There was one star performer over the past year for those companies for which we issued reports in May 2007. **Premium Exploration** almost doubled, and easily exceeded our Target Price, which we raised in June 2007 to \$0.60. **Sego Resources** rose 20% to its high over the past year. The other companies did not fare so well, reflecting the difficult market for junior mining companies generally.

Company	Symbol	Report Type	Report Date	Report Price	Target Price	Last 12 Months High - Low	% Gain to High	% of Target
Premium Exploration	PEM-V	U	28-May-07	\$0.39	\$0.55	\$0.75 \$0.24	92%	225%
Colombia Goldfields	CGDF	I	1-May-07	\$1.36	\$1.95	\$1.51 \$0.71	11%	25%
Sego Resources Inc.	SGZ-V	I	7-May-07	\$0.30	\$0.55	\$0.36 \$0.15	20%	24%
A-Cap Resources Ltd.	ACB-A	U	24-May-07	\$2.10	\$1.80	\$2.09 \$0.19	0%	3%
Aldershot Resources	ALZ-V	I	14-May-07	\$0.39	\$0.70	\$0.40 \$0.065	3%	3%
Jet Gold Corp.	JAU-V	I	24-May-07	\$0.58	\$0.77	\$0.51 \$0.13	-12%	-37%

I = Initiating Report; U = Update Report; V = TSX Venture Exchange; A = Australian (Sydney) Stock Exchange

Note 1: Premium Exploration Target Price raised to \$0.60 in June 2007.

Note 2: Colombia Goldfields Target Price lowered in January 2008 to \$1.50.

Note 3: A-Cap Resources Target Price lowered to \$0.75 in January 2008.

Monthly Top Twenty

The top twenty downloads from www.eresearch.ca for May 2008:

1. The Clarion (401)
2. MacDonald Mines (254)
3. Zaruma Resources (5/21) (216)
4. Sego Resources Inc. (105)
5. Corporate Brochure (101)
6. HiHo Silver Resources (72)
7. Grandview Gold (10/17)(67)
8. Zaruma Resources (2/27) (50)
9. IRI Separation (49)
10. Starfield Resources (48)
11. Grandview Gold (5/07) (46)
12. 4-Week Performance (45)
13. Arsenal energy Corp. (44)
14. Yukon-Nevada Gold (43)
15. Royal Roads Corp. (35)
16. Skyline Gold Corp. (32)
17. Anglo-Canadian Uranium (31)
18. Zaruma Resources (3/25) (31)
19. Integrated Asset Mgm't (29)
20. Andean American Mining (28)

June Brainteaser

Two vertical 750 ft. posts have a 1000 ft. rope stretched between their top most points. The rope sags to within 250 ft. from the ground. How far apart are the posts? Reply to bweir@eresearch.ca May Answer: a joke.