

HRA - Special Delivery

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Enhanced copper

Should you be wondering why we seem to have an emphasis on copper right now despite calling for a lower copper price, the short answer would be that we are simply dealing with results as they come out. We don't consider the current metals price decline a negative for junior's delivering good results. The market needs baselines if orderly deal making is to take place. Most producers are being valued to the discounted futures price for their product. That makes doing deals with explorers with share prices based on higher spot market pricing tougher. This correction should enhance the likelihood of closing out deals in the sector, and finding and moving into developers and stronger explorers during the correction therefore makes sense. This works so long as this is a market correcting from enthusiasm rather than a broad cyclical correction of the economy. Should the latter start on weakness in Asia or Europe, we would go back to a waiting game. Right now, getting into stocks delivering good news ahead of a market rebound simply makes sense.

Copper and zinc both had strong days today. Copper bounced hard on news Chilean state-owned miner Codelco is concerned about potential for rockslides at its Chuquicamata copper mine, the world's largest. Whether that translates into more gains remains to be seen. Copper inventories have been climbing and traders will need to see them stabilize before they come back in force. Zinc inventories have also risen, but not as meaningfully. Zinc seems to be following copper around in spite of retaining the better short term fundamentals. Commodity traders are chart lovers. Zinc's chart shows plenty of nearby support. Copper's doesn't, but that may build if it can hold the current range for a few sessions. Either way, prices have stabilised enough that the market is starting to look for buys. The underlying strength was evident in precious metals today with producers and strong development and exploration stocks seeing gains even though the metals were taking an inverse slide to US \$ strength. That augers near term gains for gold.

Before new news, we need to make a couple of notes in the last SD. Having now had a chance to take a closer look at the data and plans with **Serengeti**, we now find the situation that much more appealing. The drilling was stopped within the highest grade portion of the system due to equipment limitations. More importantly we found out that contrary to our assumption with the third caveat, SIR will be back drill testing the extensions of the discovery hole as quickly as that can be arranged. That should be about the time the last of the results are in from this past round of drilling. While some parts of BC with difficult access and the potential for snow sliding off of slopes are difficult to drill during winter, the secondary access road to the discovery area should be relatively simple to keep open and Serengeti's management recognises the importance of maintaining the momentum it has built up. We will therefore be outlining SIR for the balance of our subscriber base near term and will fill out the company's portfolio (it has been staking since the discovery) and background when we do. With this new information in hand, **our outlook shifts up two notches to strong speculative buy for ongoing work on the Kwanika.**

<http://www.serengetiresources.com/>

Globestar Mining (GMI-T; up 10 cents on 1.7 MM shares at \$1.35) moved this morning from the Venture exchange to the main board TSX. This means, as was seen today, that some institutional players with restrictions on owning "Venture level" equities can now buy the stock. Note that some systems may have lost track of the stock due the move from one exchange to the other, but the actual ticker symbol remains GMI on the TSX. There should be price gains from accumulation by new players looking for developers, which would be enhanced by either an upturn in base metals prices or new strong results from the nickel testing. We maintain an accumulate outlook for GMI. <http://www.globestarmining.com/>

Linear Metals (LRM-V; up 45 cents on 657K shares at \$1.72) released new results from the Cobre Grande project in southern Mexico yesterday. LRM was a spin-out from Linear Gold and we plan further updating of both of them in next week's Dispatch. LRM has about 31 million shares fully diluted and is being managed by the same strong combination of technical and market side groups that put Linear Gold together. For the moment we will point out that this project was part of our rationale for coming into Linear after it had gained price on the gold discovery, and yesterday's drill hole with **270 metres of 1% copper & 23 g/t silver (includes 48 m of 1.9% copper)** is the strongest from the project to date. At today's closing price LRM has a market cap of about \$55 Million (fully diluted), well below the potential just at Cobre Grande.

As has happened with Linear Gold in the past, the stock opened strong this morning and then consolidated on strong volumes. It is cleaning up from a 17 million shares issue to Linear Gold shareholders, and it is difficult to know just how much trading this will require. However to some degree the tail is now wagging the dog since Linear Gold has defined its main deposit and is valued on that basis. We will go into some detail on that in the Dispatch, but the summary is that Linear Gold has outlined a potential takeover for a mid-tier scale producer. The important point here is that, now that the market can focus on the Cobre Grande project and on-going testing of it, with the caveat noted above we do consider LRM a strong speculative buy for ongoing testing. <http://www.linearmetals.com/>

Regards, for now – David Coffin and Eric Coffin

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