

**Today's Notes:**

- 1. Galway Resources: Tungsten**
- 2. Enhanced Oil Resources: Helium**

## **1. GALWAY**

Yesterday Galway Resources announced drill results from two core holes on its Indian Springs tungsten property. This 15 hole infill program is designed to update the current 43-101 resource and provide more tungsten material for metallurgical tests. At present there are 37 million pounds of tungsten resource in the indicated and 25 million pounds in the inferred category in the Indian Springs deposit.

CEO Rob Hinchcliffe said,

*“We are particularly pleased with the results from ISC07-132 hole, the grades and intercepts, with over 260 feet of ore grade material in the one hole is quite favorable. Every 0.1% change in the grade implies a change of 2 pounds of tungsten. With the current tungsten price of \$12.50 per pound, the implied metal value for this open pit deposit demonstrates its vast potential.”*

The drill results follow.

- ISC07-131 had an intercept of 29 feet of 0.22% WO<sub>3</sub>.

<b>Hole Id</b>	<b>From</b>	<b>To (feet)</b>	<b>Intercept (feet)</b>	<b>Tungsten WO<sub>3</sub>%</b>
<b>ISC07-131</b>				
(core)	15.0	43.5	<b>28.5</b>	<b>0.22</b>
	266.5	277.5	11.0	0.14
<b>ISC07-132</b>				
(core)	4.0	14.5	<b>10.5</b>	<b>0.30</b>
	31.0	57.8	26.8	0.18
	85.0	125.4	<b>40.4</b>	<b>0.16</b>
	195.0	245.0	<b>50.0</b>	<b>0.14</b>
	264.4	319.0	<b>54.6</b>	<b>0.18</b>
	332.0	346.5	14.5	0.24
	357.0	402.0	<b>45.0</b>	<b>0.28</b>
	460.5	471.0	<b>10.5</b>	<b>0.61</b>
	486.0	489.5	3.5	1.00
	504.0	519.0	15.0	0.12

A cutoff grade of 0.10% WO<sub>3</sub> was used along with a minimum thickness of continuous ore for 15 feet.

The original 43-101, from May 2007, was based on 301 core holes (plus 20 reverse circulation drill holes) comprising over 20,000 meters of drilling and a significant amount of trenching. Marshall Himes, the company's current Chief Operating Officer, worked on this project for BHP and its predecessor company in the 1980s.

Indian Springs is located in the northeast corner of Nevada, a few miles from the town of Montello. There is rail and road infrastructure nearby. More important, the company is well financed with \$11 million in the treasury. It has assembled a top team of experienced geologists and engineers on each of its three projects; Indian Springs, Victorio (also tungsten with Molybdenum) and Lone Mountain, a base metal target located near Silver City New Mexico. The Board of Directors is very strong.

The shares have been punished recently but I am confident that both Victorio and Indian Springs will eventually be mines. China has reduced its exports of tungsten and molybdenum. The markets for these products are very strong. Tungsten, which is one of the hardest elements on earth, is used in a variety of applications including cutting tools for auto production. China is putting 14,000 autos on its roads each day.

## 2. ENHANCED OIL RECOVERY

I have written often on Enhanced Oil Recovery (EOR TSXV). This discovery company intrigues me. Wednesday the Wall Street Journal wrote on the plight of scientists who can no longer buy much needed helium. Supplies of the largest helium reserve, the Bush Dome near Amarillo Texas, are expected to run out within 8 years. This reserve has been run by the US government since 1925. It supplies 35% of the world's helium. You are probably asking, "What in the world is helium used for?" It is used for far more than party balloons dear D.I. Helium becomes the coldest liquid on earth when pressurized, near zero degrees Kelvin. The Journal points out that it is needed to make computer chips, flat panel displays, fiber optics, to operate MRI devices in health care and Nuclear Magnetic Resonance devices in molecular and atomic research. It is used in welding to mimic the temperatures in space. It is critical in many research efforts.

It is probably the most underrated Quality of Life "commodity" on the planet. Demand for this QOL commodity has increased 80% in the past 20 years. The supply / demand imbalance is now at a critical stage. One New York helium user (a University research lab) reports that the price of helium has risen from \$4 per liter in the summer (2007) to \$8 per liter. That is approximately ten times more expensive than gasoline – and climbing. Praxair and Air Liquide are major producers of helium in the US. Most helium is produced as a by product of the production of natural gas.

Enhanced Oil Recovery controls the **largest undeveloped natural Helium/CO<sub>2</sub> resource in North America**. The St. Johns Field was discovered in 1994. It is located in Apache County, Arizona and Catron County, New Mexico. It may contain 15 trillion cubic feet of CO<sub>2</sub> in place with potential recoverable reserves of 5 trillion cubic feet.

In addition, the field is estimated to contain up to **30 billion cubic feet of helium**. Helium, a rare and inert gas, currently has a market price of approximately **\$90.00 per thousand cubic feet**. The Company has signed a take-or-pay contract with a major industrial gas company, Air Liquide, for all the helium the project can deliver.

As you may know by now I am a big fan of tertiary and stranded oil recovery techniques. The US has billions of barrels of stranded oil that tertiary CO<sub>2</sub> recovery techniques may be able to recover. In the stranded oil space, EOR could be a value creator. It has CO<sub>2</sub> and helium resources. It has a Take or Pay contract for the helium with Air Liquide. It could benefit from CO<sub>2</sub> emission standards (once they are in place) and it is quietly acquiring stranded oil assets.

The stock has fallen to \$1.10 but this Incubator name could eventually become a Legacy stock similar to Denbury Resources. Denbury has CO<sub>2</sub> reserves and pipeline in Mississippi. The helium resource should also provide a significant boost to this company's fortunes. There are 130 million shares outstanding, fully diluted, and as of September, the company had acquired significant stranded oil resources. It holds \$13 million in cash and no debt. Insiders owned 18% of the company at that time.

Please access the company's web site and think about this Discovery opportunity.

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