

Seeking Undervalued Investments

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“Hume with a View” March '08

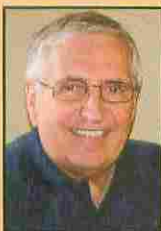
Capitalizing on Market Volatility during Uncertain Economic Times

As an investor, you may well be having serious concerns about your portfolio. Today we are living in an economy facing a three-pronged threat. All indicators suggest that we are on the brink of a recession; stock markets are behaving like a toilet seat in a co-ed dorm; and last but not least, we are facing the prospect of further fallout from the sub prime mortgage fiasco in the U.S.

So, what is the prudent investor to do in the face of all this disquieting news?

The first thing is stay calm and avoid panic selling. Never forget that stock markets, by their very nature, continually rise and fall. But, historically, each dip in the stock market index is followed by a big up-tick. The chart that follows, which shows the performance of the Dow Jones index since 1981, illustrates this phenomenon very clearly.

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Ron Hume, Publisher

Torch River Resources Focusing on Growing, Then Selling Vast Molybdenum Deposit

Moly exploration company's plan is to double Red Bird deposit to world-class size at low cost — and then wait for suitors to show up

Mathematician Sees No Minuses in Molybdenum

The president of Torch River Resources Ltd. (TCR: TSX-V) and former tenured professor of mathematics at the University of Victoria, Dr. Bill Pfaffenberger, lays out his simple and elegant formula for moly market success: “The energy sector is stressing out. Every day it gets harder and more expensive to find, free up and deliver energy to an energy-hungry world. Molybdenum is crucial in next-generation oil discovery, recovery and delivery, and our Red Bird molybdenum deposit is already at almost 200 million pounds, with double that size very possible; so, we’re going to double the drilling, define the world-class deposit we think is there, then stick a ‘for sale’ sign on the front lawn.”

“We’re encouraged that we’re on the right track,” Pfaffenberger adds. “For one thing, Sprott Asset Management bought a large chunk of Torch River stock for its molybdenum participation fund last spring, and Sprott has always been on the leading edge in understanding what the energy market is going to do and what it will need. We both think it will need a lot of moly!”

So What Is “Moly” and Why Should I Care?

Molybdenum is a metallic element used to add strength and super corrosion resistance to stainless steel in certain

high-end applications, most of which are in the energy sector.

Large oil pipelines use molybdenum because stainless steel laced with the metal has a much greater ability to withstand cold. And without moly? Pfaffenberger provides an example: “Last year there was a story of problems with pipe on Alaska’s North Slope — they realized they hadn’t added enough moly, and now, after only 20 years, the pipe’s in trouble. With more moly, it could have lasted another 20 or 25 years. So now old pipe is being replaced with new moly pipe, but yet more is

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Torch River Resources Focusing on Growing, Then Selling Vast Molybdenum Deposit

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needed for general pipeline expansion. With its present economy, for example, China has only about 10% of the pipelines it should have."

Another application for molybdenum is in the desulphurization of heavy oils, like those found in Alberta's tar sands. "New crude oils being produced are all getting heavier in sulphur content," explains Pfaffenberger, "so we know this demand will grow. Even today, it is necessary to drill deeper to get at gas and heavy oil; moly is needed in the drill bits and pipes to go that deep. If we're going to have enough oil to meet future demand, we're going to need molybdenum for drill bits, pipes, desulphurization — and we'd better find more of it, because there's already a world shortfall of about 30 million pounds per year."

Red Bird's Moly Resource Soars

Red Bird is Torch River's flagship property, a vast molybdenum deposit on British Columbia's central coast. "This thing just keeps growing," enthuses Pfaffenberger. "Our first 'official' NI 43-101 resource calculation in the spring of

2007 showed 108 million pounds of moly in the Inferred category, with a grade of 0.06%, which is standard grade for a moly mine. Since then we've had two 43-101 updates, and now, just a year later, the resource is up to 195 million pounds of molybdenum, of which 60% is now in the higher, Indicated category."

But Red Bird isn't just big. The original developers, including Phelps Dodge, found what would be a starter pit of 23 million tonnes with a grade of at least 0.11% molybdenum, which is exceptionally high. Says Pfaffenberger, "Worldwide, there's maybe one mine in China that's that high, but nothing higher. And since that high-grade ore can be mined by open pit, you stand to make a lot of money and to recover development costs a lot faster."

Along with molybdenum, Red Bird will produce as by-products both copper and rhenium, a rare earth element used in alloying, with very sophisticated applications, such as in fabrication of components for space engines and in doping computer chips to increase their speed and capacity. Approximately 41 tonnes of rhenium is mined per year around the world, and Red Bird could produce about 2% of annual demand. "Regarding copper and rhenium," says Pfaffenberger, "the sale of these two by-products alone would pay for the mining costs of the entire Red Bird operation."

Mount Copeland Is "Another Leg Under Us"

Torch River Resources has also just taken out an option to buy 100% of the Mount Copeland property near Revelstoke, B.C. Mount Copeland was a molybdenum mine from 1970 to 1974, and produced 170,000 tonnes at an ultra-high grade of above 1%. Pfaffenberger is keen to drill there this summer: "More of that grade is thought to be out there. If that could be found again, the ore could be trucked out 'as is' without having to be processed, because it would be so valuable. That means no processing plant, no long construction process, no big operation. If we can find the high-grade ore, Mount Copeland could be in production in three years with a small-mine permit."

Hot Moly Market + World-Class Deposit = Huge Score for Shareholders

Torch River Resources believes that

expanding the company's resources is the best strategy for its shareholders, because the current high moly market won't be a short-term event. "A lot of companies try to get orebodies developed as fast as they can and then get into production within three or four years," explains Pfaffenberger. "We haven't gone in that direction. We think we have a world-class orebody at Red Bird and are trying to expand that vision. Since 2005, we've expanded our resource by 80%, which I think is a pretty good result. This summer, there's going to be twice as much drilling on Red Bird as has been done until now, and we believe drilling the targets we found previously will guide us to a very large expansion in reserves."

Pfaffenberger continues: "We want a deposit of 400 million pounds. Then some big company is going to come and buy us out, but not necessarily to develop it, just to have it, or sell it. It might not be a mining company that wants Red Bird. It could be a steel company that comes in and snaps it up. They might not need the moly now, but what about in 20 years? So they'll buy it and sit on it, or sell it."

In sum, Pfaffenberger is very keen on Torch River's future: "Let's put this company in context. Our market cap is a little over \$10 million. The 'street' value of the moly we have in the ground right now — even if we never find another pound — is about \$6.4 billion. You don't have to be a mathematician to understand that there's very little relationship between those two numbers!" ■

Torch River Resources Ltd. trades on the TSX-V under the symbol (TCR). At the time of this writing, the company's shares were trading at \$0.22. For further information, contact Torch River Resources Ltd. by email at torchriver@telus.net or by phone at 403-444-6888.

Note: This article contains forward-looking statements about material factors or assumptions that may impact the future success of Torch River Resources Ltd. These factors include the success of testing new technologies; the granting of patents; political factors in areas where the company is operating; and the company's ability to raise the capital necessary to fund its exploration activities. Torch River Resources' management believes a reasonable basis exists for making the statements set out in this article. Carry out your own due diligence before investing in any publicly traded company.

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