

## INTERIM BULLETIN #89 - AUGUST 02, 2011

I'm back at my post now, after a week each in Croatia, Italy and Slovakia. Driving the backroads of central Slovakia with a good friend of mine (who lives there and speaks the language), we stopped and chatted with real gypsies selling food at the roadside.

We then had dinner at a restaurant housed in a castle built in 1320.

More on Slovakia at the bottom of this email.

I'm excited to be back, and catch up on all the fundamentals going on with OGIB portfolio stocks. I see some stocks have performed great – Coastal Energy (CEN-TSX) did great in July, and is now a quadruple over the two years it has been in the portfolio.

Painted Pony Petroleum stock (PPY.A-TSX) had a great jump in July as it announced reserves had increased 163% - it is almost a quadruple. Other stocks have not done so well, like Torquay Oil (TOC.A-TSX) and CGX Energy (OYL-TSX).

I'll be contacting as many management teams as possible this week to get direct updates, and reviewing a month's worth of research on my stocks.

August is often the low time of the year for junior energy stocks, and now it usually makes more sense to be buyers than sellers of junior stocks. But in my first issue back I will be looking at the underperforming stocks in the OGIB portfolio, and examining what the factors are that have caused the share price to languish – is it overall markets or missed milestones – why have these stocks not been able to attract market attention. Then I'll look at what future milestones are coming up and give you an idea on when/why I might look at cutting my losses or keeping the faith.

In the meantime, Richard Reinhard has just updated his technical charts for OGIB stocks, and his monthly missive was posted to the Members Centre late Monday night. (Canadian stock exchanges were closed Monday.) Richard is a good friend and a great trader, and I like the fact that he doesn't trade the OGIB stocks so he gives our subscriber community an independent (and sometimes humbling) viewpoint on the stock charts.

I did keep up a bit on the markets and stocks while I was away. I see the same forces of fear about the economic future of the global economy (negative) pushing against the fundamentals of the global oil economy (positive) which will keep the oil price in the range it's in now. And that's what we want – oil prices significantly higher than \$100 a barrel will cause junior energy stocks to go lower as the market prices in a future recession. All of the producers in the OGIB portfolio have great cash flow at these prices.

And as most of the world's (credible) media is based in the US and Europe, where the economy is the worst, the economic coverage will continue to be biased negatively and create more fear than is justified, globally speaking. Regionally, there is no doubt the US and Europe will have a decade of no growth. But that hasn't stopped companies like Chesapeake (CHK-NYSE) and others from having great stock charts.

Without a broad resolution to global sovereign debt, junior company valuations (in all sectors, not just energy) will continue to drag. However, there are lots of stocks like Open Range, Painted Pony, Coastal Energy and Secure Energy Services that will outperform the market.

Please keep all your feedback coming on how I can improve my service, and I love all the trading ideas you send me. Please include the company powerpoint or some research or your own

Positives/Negatives on why I should own the stock you are bringing to my attention.

For me, Slovakia was the most interesting country as it is still moving from an agrarian Communist regime to a market based economy – and we were able to get past all the tourist places and travel through the countryside and get into the fabric of the people and communities.

Other than the few main highways that have been updated, all roads are still narrow two lane windy roads that now hold WAY more traffic – especially trucks – than they were ever intended to.

Five million people live in this small country, but the unmistakable buzz of commerce is everywhere. Wages rates are still low (800 euro a month average; a bit more in the capital Bratislava, a bit lower in the eastern part near Ukraine) but traffic, water parks, new homes and open borders are clearly indicating a rising standard of living.

And of course there are growing pains. The 31 year old hotel manager of the place we stayed in central Slovakia has two young children, and works long hours at the hotel. He speaks good English, but better German as well as Slovakian. This was in one of the two main areas where the gypsies live, and he was saying how they get paid almost as much as he does – just to have babies. They live off the land and have no expenses, so if they have enough children, he says, their income is very good. As a result their population is exploding, creating the same socio-economic tension that many multi-cultural other western countries experience. Now that is young one man's opinion, but for me it was an interesting insight into the country's issues.

Interestingly, feedback on the old communist regime was not entirely negative. There were no drugs or crime, people told me. And I got a sense that there was a huge underground economy that relied on personal integrity and quality of relationships. You couldn't rely on the state for anything, so you relied on your connections and you had to have a good network and lots of friends to get done what you needed.

It was a great trip, an interesting trip, and a bit exhausting - 24 days, 8 countries. But I am glad to be home.

- Keith