

Winston's Growth Stock Report

Your Source for High Potential Stocks

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The "Must Own" Investment of 2011

Aside from gold, many gurus are saying copper will be the commodity of choice for resource investors for 2011 and the foreseeable future. Sparking this bullish sentiment are the basic economic facts that copper demand is outstripping copper supplies.

Since the market meltdown of 2008, copper has rallied strongly based mainly on the furious demand from China, the world's biggest consumer plus other emerging nations.

The vast majority of institutional reports I've read have summarized that mining companies will not be able to ramp up production fast enough to balance the supply/demand deficit this year. Bart Melek, a global commodity strategist with BMO Capital Markets echoes many analysts when he says "It's our top commodity pick." In fact all the big guns you're familiar with are very strong on copper including Morgan Stanley, Barclays Capital, Goldman Sachs and others.

Going forward over the next few years, analysts are advising this tightness on the supply side will continue. The Royal Bank of Scotland stated, "We believe that future copper mine capacity growth will barely suffice."

So given this bullish copper market the burning question is; how are we going to maximize this opportunity for ourselves?

As I've stated many times before, there are two times to make fantastic capital gains in the resource sector. The first time is when you buy a penny stock that makes a discovery. This is what we positioning for with **Petromanas Energy (PMI, TSXV)** as an example. The second time to make incredible profits is just prior to the production stage. We saw this with **Nevsun Resources (NSU, TSX)** last year which about tripled from January to December.

In the copper market one of the big stories over the last 12 months has been about a junior company called **Copper Mountain (CUM, TSX)** whose share price has also tripled over the last 12 months. Copper Mountain Mining Corp. is nearing production with their Copper Mountain Project in southern British Columbia. A recent price target from Canaccord is set at \$7.80. The market cap is currently about \$700 million.

Interestingly, our number one junior copper pick, **Catalyst Copper (CCY, TSXV)** and their La Verde project in Mexico, is currently floating around 16 cents and has a lot of similarities to the Copper Mountain deposit.

The big difference with Copper Mountain is that they are starting production this June, 2011. Catalyst is still developing their resources which appear to be open in all directions including to

depth. When comparing the copper grades and resource numbers of the two projects and you can see the potential that CCY has at only pennies per share.

Copper Mountain 43-101 Resource Calculation:

- Measured and indicated .2% Cut-off grade, 359.6 Mt grading .37%, containing 2.68 billion pounds of copper
- Inferred resources at .2% cut-off grade are 186 Mt grading .29% Cu, containing 1.06 billion pounds
- Total : 3.74 billion pounds of copper
- 75% ownership, partnered with Mitsubishi

Catalyst Copper:

- Measured and indicated, .2% cut-off, 210 MT grading .46% Cu, containing 2.1 billion pounds Cu
- Inferred resources, .2% cut-off, of 130.8 Mt grading .46% Cu, 1.3 billion pounds Cu
- Total 3.4 billion pounds of copper
- 60% interest, partnered with Teck
- 2011 drill program of 18,000 meters to increase size of resource, is open in all directions
- Potential for additional tonnage in both deposits especially at depth.
- Additional delineation drilling around the perimeter of the deposits and at depth should be initiated.

As you can see, given a .2% copper grade cut off, Catalyst's somewhat higher copper grade gives both companies resources of over 3 billion pounds of copper. What I like about Catalyst at this point is that there is a lot of blue sky potential. This year will kick off another aggressive drill campaign which will include 18,000 meters of drilling. Catalyst still doesn't know the extent of the mineralization to depth which is very intriguing. Also the mineralization at the La Verde project is open in all directions, giving it the potential to grow from a "really good" deposit for a junior sized company to "monster" deposit in size.

Right now, Catalyst could take the deposit they have outlined and call it a day, proceed with feasibility, and plan toward production. All things being equal to how Copper Mountain's operational plan has unfolded given their resource base, project financing, infrastructure and management – there's good reason to conclude that CCY would enjoy similar capital appreciation for its shareholders.

However there is much more to this project which could very well outperform even Copper Mountain's excellent success.

Worst case scenario for Catalyst Copper investors is that the company earns in their 60% interest with Teck and they continue to develop the property on a 60:40 ownership split. I think it is fair to say that at the end of 2011, CCY could be looking at a 5 billion pound resource.

At the end of this year, given Catalyst produces an updated 43-101, Teck will have 60 days to

decide how they want to proceed with the La Verde project.

Teck is not interested in what an intermediate sized mining company would consider “a really good deposit.” Teck is one of the world’s top blue chip mining companies and they are only interested world class, blue chip worthy deposits.

Like I said, by year end my guess is that CCY will have drill proven upwards of 5 billion pounds. If the deposit is still open in all directions and deeper drilling shows a much larger untapped potential then previously realized, it could be a whole new ball game.

If Teck believes this could become a world class deposit then they have the option to increase their interest to 60% by incurring total expenditures equal to two times the amount spent by Catalyst or \$20 million. Given that sized budget and a continuation of mineralization, the La Verde could substantially grow in size. So even if Catalyst’s ownership interest may drop from 60% to 40%, Catalyst will earn a completed feasibility study and the blue sky opportunity of a potentially “monster” deposit. This scenario would dwarf any loss of interest in the project.

Now if Teck doesn’t step up to the plate, it’s still all good. As I say, Catalyst could just take what they’ve found to date and move toward feasibility. However it’s a foregone conclusion that this year’s 18,000 meter drill program will add more pounds of copper to the bottom line. If Teck doesn’t participate further, Catalyst can choose to pay Teck \$20 Million and take control of 100% of the project. Of course if they did that, they’ll have ample evidence from the geological work to know they will profit handsomely given they make that kind of substantial commitment.

No matter how you look at it, the potential for capital gains for Catalyst shareholders looks very bullish – especially at 16 cents!

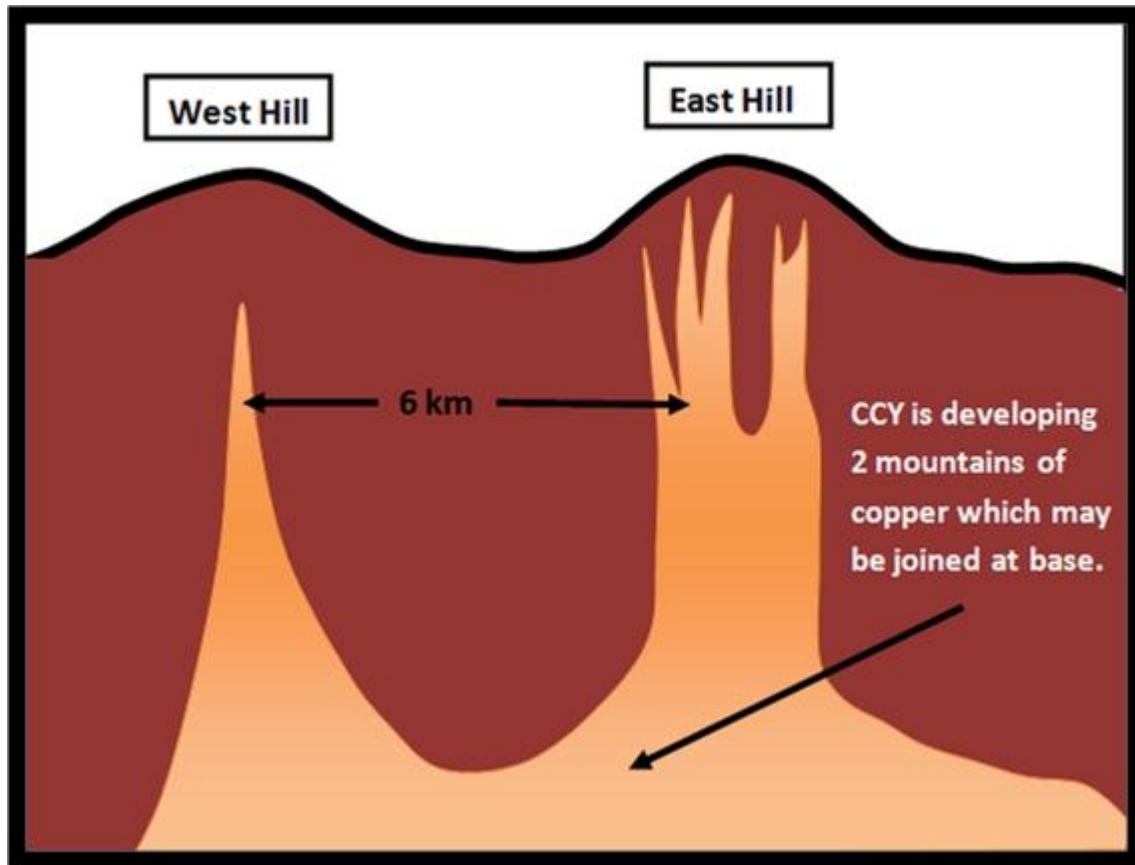
Bottom Fishing Opportunity

The opportunity to buy Catalyst at the current low price is closing fast in my opinion. There are 220.8 million shares outstanding with CCY. About 172 million shares have been traded since the commencement of trading on December 10th, 2009. This means that the stock has nearly turned over all the cheap paper from financings done at 5 cents, 10 cents and stock inherited from the shell. Once the nickel and dimers have cleared out, this stock will be primed for an upward movement very soon.

La Verde copper Property

The Property, located in the Sierra Madre del Sur is approximately 320 km west of Mexico City, consists of two claims, Capire and Unificacion Santa Maria, comprising approximately 17,000 ha. Historically, copper porphyry mineralization has been exposed in a 3 km by 1 km system which is amenable to low-cost open pit mining. There are two main mineralized zones termed East Hill and West Hill which were historically explored with 585 drill holes comprising of nearly 80,000 meters of core. The system is open in all directions including depth. As an added bonus there has been some potential for molybdenum and gold credits as well which could offset the cash costs of production. The project is located in an area with a pre-existing infrastructure: with water, power and rail are all nearby.

Catalyst management believes the two zones may be joined at the base which would make it a monster deposit. If this turns out to be true, it's likely that Teck will buy back in – and possibly take over Catalyst Copper. If the deposit turns out to be smaller, Catalyst could go ahead and build the mine on its own. Either way, Catalyst is developing an excellent copper project.



What makes this even more interesting is that Catalyst management John Greenslade and Terry Hodson were key members of the team that got the Boleo copper cobalt deposit in Mexico into development. They are both proven copper men who are comfortable on Mexican soil. They have a reputation for environmental diligence and building good community relations.

Conclusion

Catalyst's market cap is just under \$34 million right now. Given the upcoming exploration program this year proves out they have up to a 5 billion pound resource, the likelihood of this stock at least mirroring the growth of Copper Mountain seems to be a fair assumption. As it stands though with their current resources, this is an advanced development play that could move toward mine feasibility with mineralization they have already outlined. No matter what scenario you look at, this stock at 16 cents seems dirt cheap.

Catalyst Copper is about to start their 2011 drilling program at the copper-gold La Verde project in Mexico which will include 20,000 meters of drilling. Including in this year's objectives will

be to determine the gold-silver-molybdenum values for the known deposits, metallurgical work, environmental studies and of course, updating the resource model.

Drilling will focus on extending out from the known mineralized zones and, as the Micon technical report suggested, drilling “especially to depth” as this is where Catalyst could move from having a great deposit for an intermediate sized company to that of a world class monster deposit.

The 2011 work program will complete the commitments with Teck Resource Limited (Teck) to exercise the Company's option to earn a 60% interest in the property.

Catalyst is our top developing copper pick.