Resource Stock Update - V17 #5.3 – Markets, WWPW July 8, 2011

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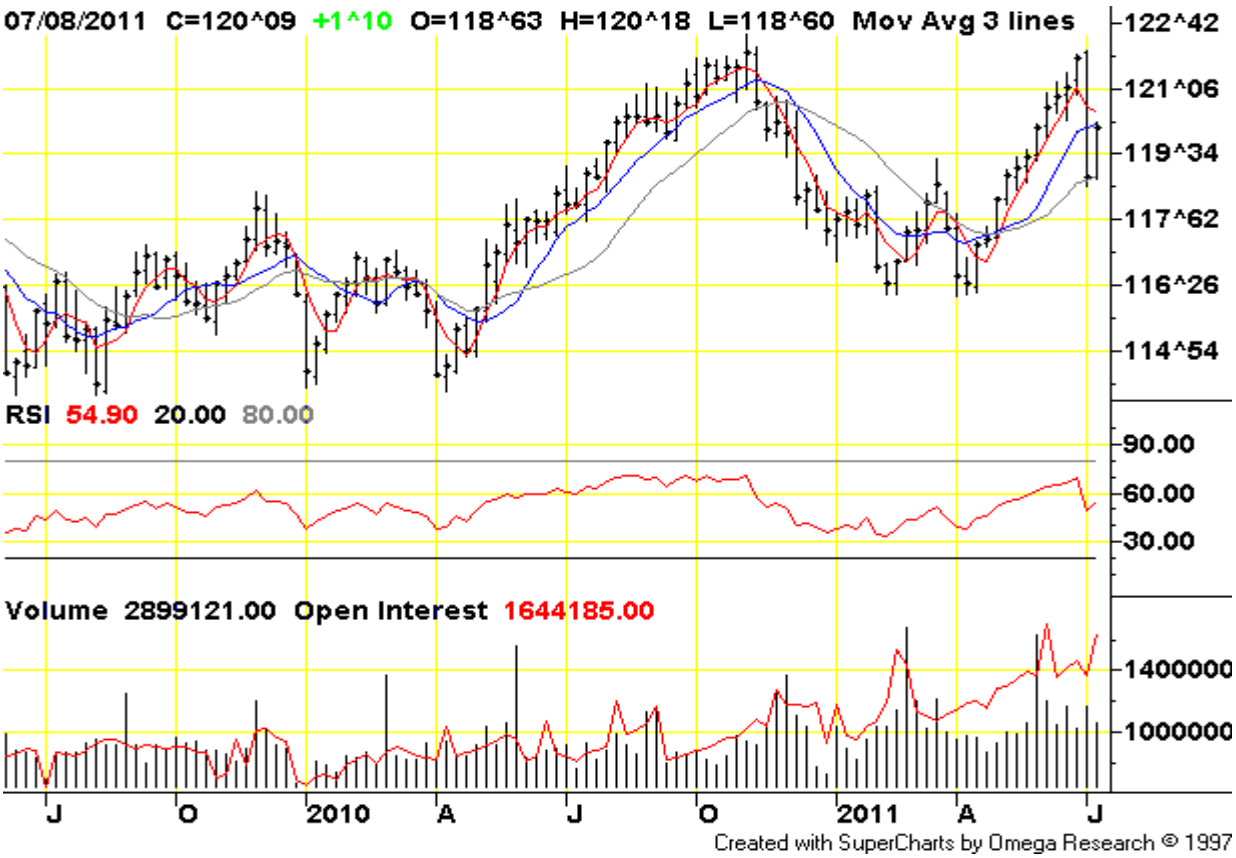
In the past when we have seen market corrections that go into the summer, they have typically bottomed out in July, with bargain hunters deploying cash in August and then getting more aggressive in September after the summer holidays. Once again we are seeing this pattern and I believe the bottom is in

We can see that the S&P 500 started to correct in May and hit bottom near the end of June bouncing off the 200 day MA and it's most recent low around 1250 in March. I believe the main reason for the correction was the 'sell in May and go away' idea and fear about the end of QE2 when the Fed was to cease the buying of US bonds.

It will be interesting to see if the market can make new highs above 1370, but I think we will go sideways for now. The Fed/government has made it clear they are targeting the stock market to try to revive the economy, so we can expect them to continue with this intervention until the bond market cracks and forces them to clean up their fiscal mess.

However we can see on the chart on the next page of the 5 year treasury bond that bonds have so far hardly dropped at all and are well above their recent lows in April.



Gold Stocks

HUI Gold Bugs Index

Although gold prices held up and hardly corrected at all, gold stocks as measured by the gold bug index corrected and bottomed along with the S&P500. Gold stocks on the HUI dropped about 17% where the S&P 500 only dropped about 7%. It does not make sense fundamentally, but does so perfectly when you consider the Feds agenda and intervention to try and stimulate the stock market with fiat money and depress gold, commodities and related investments to try to mask the inflation they are causing.

We did very well selling and taking profits in about 16 stocks in late April. Now and over the next few weeks is the time to start putting that cash back in the market

Above is a 3 year chart of the TSX Venture index, a good proxy to junior resource stocks. We can see this years decline of -22% was a bit deeper than last years correction. Also what was support before the 2008 crash is now a resistance level. The good news is the rallies are much stronger than the corrections. The index did rally about 80% from last years correction low and this next rally I expect we will go back to at least the old highs of 2007 around 3300, which would be a 76% rally.

We are going to do extremely well with junior resource stocks again and one that I think will have its time now is WWPW. It has been a while since I updated Wind Works, but volume and price has picked up lately in the stock and they had awesome news this week.

WindWorks Power OTC:WWPW Frankfurt R5E1 Recent Price $US0.40

Entry Price $0.70 Opinion – strong buy

Before I update on the recent news and stock action. I have provided a link here to the Energy Information Administration (EIA) annual electricity cost study.

To meet electricity demand, the EIA represents the existing generating plants, retires those that have come to the end of their economic life, and builds additional plants to meet projected demand.

To determine the most economic technology for the type of demand (base, intermediate, or peaking load) for which new capacity is needed, NEMS competes the technologies based on the economics of their levelized costs. Levelized costs represent the present value of the total cost of building and operating a generating plant over its financial life, converted to equal annual payments and amortized over expected annual generation from an assumed duty cycle. Any financial incentives such as state or federal tax credits are not factored into these costs.

http://www.instituteforenergyresearch.org/wp-content/uploads/2011/02/Levelized-Cost-of-New-Electricity-Generating-Technologie11.pdf

Despite what you might have heard in the media, **on shore wind power is very competitive and economic. In fact the only thing cheaper right now is combined cycle natural gas fired power plants** and that is mainly because we currently have very low natural gas prices.

You can also see that off shore wind and solar are still very expensive.

Wind Works is in the right place at the right time, the beginning of a strong growth curve in wind energy. **We are talking growth of about 1300% in North America for wind to go from 1.5% of the grid to 20% over the next 10 years as we have seen in European counties. And the electrical infrastructure in North America is in very poor shape so this growth could happen quite quickly**

One of the biggest risks for a junior resource company is getting the financing to develop their project to the production phase and with this weeks news, WWPW has eliminated this risk.

On Wednesday Wind Works announced that debt financing equal to 7.188 million Euro (approx. $10 Million) has now been secured for its 50% owned, fully permitted 4 megawatt (MW) Wind Park Burg I project in Germany. The equity component necessary for construction was previously secured with the sale by Wind Works of half its interests in the project (announced in April 2011). Wind Park Burg I is the first phase of a 2-phase, 10MW wind energy project located near Magdeburg in the eastern part of Germany.

The 16-year debt financing includes 3.45 million Euro for the north turbine and 3.738 million Euro for the southern turbine, for a total of 7.188 million Euro and is subject to pre-construction and construction milestones.

Wind Park Burg I is fully permitted, fully financed and ready for construction to commence in the Fall 2011 through Wind Works' wholly-owned German subsidiary Wind Works Development GmbH, which will act as general contractor. Wind Works announced in January 2011 that they have ordered 2 Enercon E82 turbines for the 4MW project.

"*We are looking forward to commence construction on our first German project this Fall. We plan to move aggressively to expand our German project pipeline to a minimum of 100 MW within the next 12 months"*, comments Dr. Ingo Stuckmann, Wind Works' President and CEO. "I*n addition to Ontario, Canada and the United States, the German market is very important to our strategic diversification and overall growth objectives."*

I expect Wind Works will finance their North American projects in similar fashion. From what I have learned I expect they got this financing from a major player in the wind Industry and I don't see why they will not do the same thing in North America where Wind Works has many more projects.

What is huge about this - is it will mean that Wind Works will retain a much higher interest in their projects and generate tons more revenue than I was originally projecting and no shareholder dilution

The stock is ridiculously cheap with a market cap of just $26 million fully diluted.

A similar company to Wind Works that is about a year ahead of Wind Works is Caparo Energy. Caparo will have about 500MW installed wind capacity by March 2012. I expect it will be 2013 before Wind Works reaches this level. However, right now Caparo has a market cap of about US$300 million. This wind company is in India and is a pure wind play like Wind Works http://www.caparoenergy.com/

It looks to me that the market is starting to figure out where Wind Works is headed and if they achieve a similar market cap as Caparo within the next year or so we are looking at a stock price over 10 times higher

The stock chart has never looked this good in over a year. The stock has bounced off the major support area between $0.25 and $0.30 and has broken above its downward channel of the past year. It has moved above the 200 Day MA and MACD has turned positive. The 1st resistance area is around $0.55 and then $0.75 after that. Then it would be the old high around $1.20, but we will no doubt dissect the chart again before that time

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