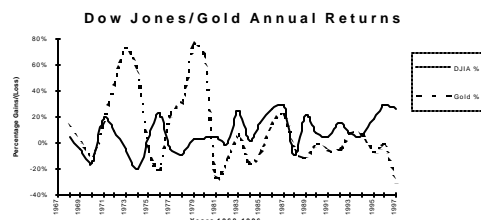




Gold & Technology Stocks



Weekly Hotline Message

(Now in our 26th Year)

March 21, 2008

Company Review

Etruscan Resources' Diamonds Looking Very Promising Too



Etruscan Resources Inc. (TSX-EET-\$2.31) – We continue to think Etruscan remains a very undervalued company. We held that view on the basis of its gold business alone, but now that we have taken a look at its alluvial diamond mining operation in South Africa, we think it is even more undervalued. In fact, without taking anything away from its existing operations, we think the company's diamond operations could dwarf its gold business.

Diamond production began in January but got underway in a serious manner in February when the company sold two-thirds of its production for \$737,000. The cost of producing all the diamonds mined during that timeframe was approximately \$450,000. The operation is averaging just less than 1 carat per 100 cubic meters of material. Current production is at 40,000 cubic meters per month. Plans are underway to increase that to 100,000 cubic meters per month and then to 260,000 cubic meters per month. Capital costs to expand to 250,000 cubic meters per month are expected to be around \$15 million or so. At present, the company has a 43-101 resource of 37 million cubic meters of diamond-bearing ore from two sinkholes. However there exists enormous upside potential from numerous other sinkholes, many of which the company believes are prospective for similar deposits, based on geological evidence.

We think this company's diamond operation, while not our focus in the past, has the potential to generate at least several million per year in cash flow. And if the geological potential for the company's claims proves to contain similar grade material, diamond production could be a very big part of this company's future success, though our focus has been exclusively on its gold operations.

Meanwhile, Etruscan announced it has started production on its Youga Mine in Burkina Faso. Here we are expecting over 100,000 ounces of annual gold production at a cost of around \$400 per ounce, once the project gets up and running successfully. One negative with this project is the company's hedging program, which caps the amount the company can receive on 40% of its gold sales at \$700 per ounce. The remaining 60% is not hedged and thus the company is free to get market price for that production. At the time of the hedge, gold was selling at around \$640. While we are not happy about the hedge, it is important to recognize that the company would not have been able to receive debt financing to put the

project into production without the hedge. In the future as Etruscan expands project to go into production lenders may not require hedging given cash flows from operating mining projects. Or, or perhaps hedging, if it is required, will be on a more limited basis.

Etruscan is at the beginning of generating significant cash flows from operating a diamond mine and a gold mine, with more gold mines in its future. The company may be planning to list on the American Exchange in the near future, and if that happens, we anticipate this new producer will begin to attract the attention of American institutions at a time when the resource market should continue to rise dramatically. This has not been a get-rich-quick story for us, but we think Etruscan is a company that is building a solid business and with it solid future cash flows. As such, we consider an allocation of up to 5% of your investment portfolio in this stock to be prudent for more conservative gold share investors.

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