DAVID PESCOD'S STOCKTALK
Late Edition

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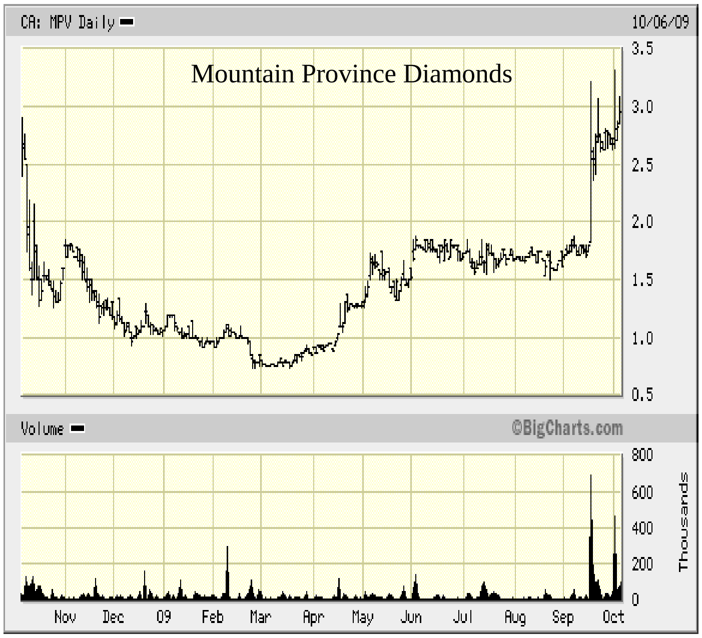

MOUNTAIN PROVINCE DIAMONDS (T-MPV) $2.97 +0.14

We might have mentioned the name *John Kaiser* here a couple of times in the last few weeks and as long as he keeps coming up with doubles, triples or ten-baggers, like he has in the past, we will continue to do so...and say nice things about him.

Mind you, if and when rare earths cool or some of his picks don't climb dramatically, it's the old "who was that guy, I don't remember his name anymore" routine.

Anyway, it's okay with John, for us to publish some of his comments that he wrote just a while ago about *Mountain Province Diamonds* which he thinks down the road, could be a two or three-bagger. It is of interest because who would have thought a few months ago, anyone would have cared about diamonds with the world economy doing what it was doing.

Now, there are signs of recovery, the diamond market is coming back and heck, even Diavik has decided not to shut down for the winter.

Kaiser has quite an expertise in this field so please see his comments on Mountain Province:

"Mountain Province Diamonds Inc had its heaviest trading day in more than a year on September 18 as the stock traded 1.6 million shares on both the TSX and AMEX with AMEX generating about 58% of the volume. This contrasts sharply with the day before when Mountain Province traded only 3,400 shares on the TSX to close at $1.79. During the first half hour of trading on Friday the stock spiked as high as $3.21 before settling back to close up $0.76 at $2.55.

This activity comes on the heels of big moves during the week by Harry Winston Diamonds Corp, which announced that the plan to close Diavik for a winter break had been canceled in light of stronger diamond demand, and Shore Gold Inc which published its first resource estimate for the Orion South portion of the FALC JV with Newmont. By Friday other juniors were also showing evidence of diamond fever as Shear Minerals Inc attracted an early morning trading halt after its stock jumped from the pennies to over a dime, and Peregrine Diamonds Ltd finished the week on a strong note after releasing excellent news on Monday that initially attracted a big yawn from the market until its chain was yanked by a KBFO comment on Thursday.

The Mountain Province move, however, appears to have been triggered by speculations independent of a general increase in market interest for the diamond sector. The word on the street is that representatives of Harry Winston floated the concept of a takeover bid for Mountain Province past key institutional shareholders who recognized this as such an obviously good idea that they could not resist jumping into the Mountain Province market.

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In a Bottom-Fish Comment published on July 6 in the wake of Mountain Province's successful renegotiation of its Gahcho Kue deal with De Beers we argued that this deal effectively put Mountain Province into play as a takeover target because it turned Mountain Province into a 49:51 working interest partner with De Beers and gave Mountain Province the right to receive its share of diamond production in kind. This was an important development because except for its partnership with the government of Botswana in the operation of the giant Jwaneng and Orapa diamond mines, the lifeblood of De Beers which will perhaps produce for only another 10-15 years, De Beers typically operates its diamond mines on its own and eventually buys out any junior partners. Mountain Province's stock price had slumped because of uncertainty about the timing of Gahcho Kue's development and concern that De Beers' weakened financial condition in the wake of the Snap Lake fiasco and economic crash of 2008 would indefinitely postpone a buyout in the $4-$6 range that was on the table in 2007. The deal, which removed the threat of litigation from Mountain Province over the interpretation of the prior underlying agreement, simultaneously highlighted De Beers' sorry financial condition and its eagerness to see Gahcho Kue developed sooner than later.

Although the latest resource estimate for the three main pipes indicates an in situ modeled rough diamond value of only US $5 billion, there is evidence that this cluster of kimberlites hosts very high value large gem diamonds of the sort that will appeal enormously to the only diamond demand growth market in the world, namely Asia. Furthermore, with companies like Harry Winston integrating the diamond supply pipeline, there is considerably more value for a producer to harvest from its diamonds by accompanying them downstream to the level of retail distribution. This is in fact what Aber did when it acquired the luxury retailer Harry Winston, which cuts and polishes high end diamonds. It is no secret that although Diavik is the richest diamond mine in the world, it does not produce many "special" stones above 9.8 carats and consequently is not able to supply its luxury arm with large gem quality diamonds.

Mountain Province's 49% working interest in Gahcho Kue would thus be a natural fit for Harry Winston, especially now that open pit mining at Diavik is scheduled to end in 2012 as the operation shifts to higher cost underground mining. There also was the possibility that BHP Billiton might swallow its pride and acquire a 49% ownership of Gahcho Kue by taking out Mountain Province so that it could keep its own diamond marketing system fed with diamonds as Ekati shifts toward exploiting its less lucrative pipes. Recent news articles have suggested that since the collapse of BHP's hostile bid for Rio Tinto and their subsequent decision to cooperate on joint development of Australian iron mines the diamond miners have entered discussions about consolidating their operations.

Google Map of Diavik Diamond Mine

Google Map of Kimberly Diamond Mine, South Africa

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Word, however, has leaked out that BHP is keen to become the operator of the outcome, which has collided with a certain degree of disdain on Rio Tinto's part with regard to the assets BHP would bring to the table. I doubt very much will happen on this front because BHP apparently is quite optimistic about Peregrine's Chidliak project, which requires at least another year to fully unveil its potential. It makes sense for BHP to beef up its diamond portfolio by taking a run at Mountain Province, though this would have meet with the approval of Mountain Province's Irish shareholders who have been stuck in this deal for more than a decade.

They are unlikely to support a cash bid from a major unless it is at a substantial premium and are more likely to support a paper bid from Harry Winston which not only grants a capital gains tax deferral, but offers further price appreciation. In talking to Mountain Province CEO Patrick Evans I get the impression that a $4-$6 price range is still the target for the core shareholders, and whether or not a bid from Harry Winston pleases them depends on Harry Winston's price and the proposed ratio. The current Harry Winston price of $9.70 certainly seemed to appeal to Evans, so I suspect another 10-20% increase for Harry Winston would not put its price out of consideration range. We issued a Good Absolute Spec Value Buy at $1.52 on June 2, 2009 in Tracker 2009-04 in anticipation of a takeover in the $4-$6 range, and confirm that recommendation as still valid. Mountain Province management has been on the road during the past couple weeks promoting the story to European and American institutions without much to show for it in the market, but today's market action will most likely prod new buyers from the sidelines.

I like the prospect of a merger between Harry Winston and Mountain Province based on respective price ranges of $10-$12 and $4-$6 because in this situation the whole is going to be worth more than the sum of the parts. I hear that Harry Winston's Bob Gannicott and Ray Simpson are in Scotland on a "Grouse Shoot" with key players from Mountain Province, so no doubt the potential synergies of a merger will be discussed with the assistance of some very high quality single malt scotch. Bottom-fishers should continue to hold their positions, and Spec Value Hunters should buy the stock at the current level for a short term double."

It's very much worthwhile to be a subscriber to Kaiser's efforts and to do so, just go to www.kaiserbottomfish.com.

This gives you an example of Kaiser's thoroughness to the point of...while there is a lot more depth than what we do and most other analysts as well. As of today, we own some MPV...just in case.

Google Map of Ekati Diamond Mine

Google Map of Mirny Diamond Mine, Siberia.

DEB'S DITTY:

Personally, I think conservatives and liberals should move towards the middle of the road. Makes it easier to run 'em over.