

THE PROSPECTOR

RESOURCE INVESTMENT NEWS

October 2015



WHY I REMAIN A URANIUM BULL

The removal of demand from Japan and, to a lesser extent, Germany from 2012-2015 has been devastating to the uranium market.

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PUBLISHED BY THE PROSPECTOR NEWS
www.theprospectornews.com

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WHY I REMAIN A URANIUM BULL

By Michael S. Fulp

My bullish views on uranium in the mid- to long-term are well-documented. That said, it has been 21 months since I formally wrote about my optimism regarding the uranium industry (Mercenary Musing, December 16, 2013). Today I elucidate my current thoughts on the sector.

Let’s review my history on the subject:

I first went public with contrarian views on uranium during the depth of the global financial crisis in the late fall and early winter of 2008-2009. In addition to speaking about the commodity in interviews, I initiated coverage of two Athabasca explorers and both were eventually acquired by major mining companies. One produced more than a double (Mercenary Musing, November 24, 2008) and the other a triple (Mercenary Musing, January 14, 2009) respectively for my portfolio and subscribers who chose to follow my lead.

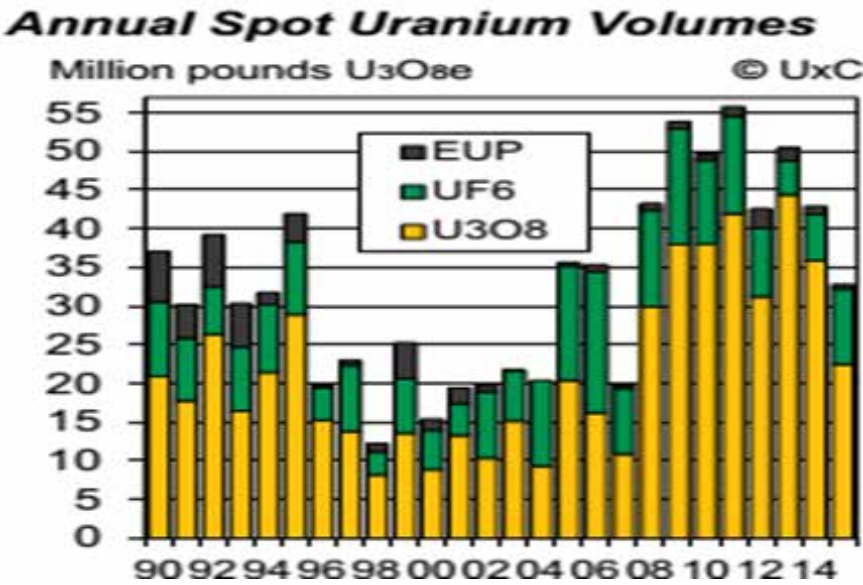
Although I boldly predicted a rising uranium price in January 2009, it took over 18 months before that occurred (contrarianism always requires patience). In August I posted a piece entitled, “Uranium, the New Green Metal” (Mercenary Musing August 8, 2010). By November I was speaking on uranium as “the next big thing” and it veritably was, with the spot price going from \$40/lb in July 2010 to \$73 in early February of 2011.

Then a black swan event occurred on March

11, 2011, with the 9.0 earthquake in northeastern Japan (the fourth largest in recorded history), a subsequent tsunami, and the nuclear power plant accidents at Fukushima-Daiichi. Uranium stocks crashed in mass over a few market sessions, and I have argued that this event was the catalyst that roiled the Toronto Venture Exchange into the ongoing bear market (Mercenary Musing, December 12, 2014).

Over the subsequent three years, the spot price of uranium fell from that ephemeral high of \$73 to a low of \$28/lb, a loss of over 70%. Meanwhile the term contract price dropped from \$75 to \$40/lb.

The uranium price crash has been directly related to decrease in demand from Japan. Before the incident, Japan used about 12% of the world’s uranium in its 55 reactors and was the third largest consumer in the world behind the USA and France. For the past three years, the 48 remaining operable reactors have been shuttered for safety inspections, modifications, and new permitting. Five have been retired. One reactor restarted last month, another is scheduled to reach criticality this month, and two more should be online by year’s end. An additional 19 have applied for restart approval. It is generally thought that about 25 reactors will eventually generate electricity.



The effect of the Japanese shutdowns is striking:

- In 2010, worldwide nuclear power plant demand was 167 million pounds U₃O₈. There were 142 million pounds mined and 23 million pounds of secondary supply from conversion, enrichment, and government stockpile sales resulting in a two million pound deficit.

- In 2014, demand was 175 million pounds. There were 148 million pounds mined and 43 million pounds of secondary supply to the market resulting in a 16 million pound surplus.

According to the World Nuclear Association, Japan consumed on average nearly 22 million pounds per year from 2007 to 2010. Germany

also shut down eight of its 17 reactors in the wake of Fukushima and that cut its annual demand by half.

The removal of demand from Japan and, to a lesser extent, Germany from 2012-2015 has been devastating to the uranium market. It has also been devastating to the Japanese economy, with an additional \$40 billion per year in imported fossil fuel costs.

Although the spot market only represents 15-30% of sales on an annual basis, analysts, brokers, speculators, and investors see it as a strong proxy to the perceived health of the uranium mining business. Simply put, the uranium spot price drives the stock market.

The majority of uranium supplies are delivered via long-term off-take contracts that are generally priced much higher than the spot price. For example, the term contract price has ranged from \$44 to \$49/lb this summer, a premium of 18-35% above spot.

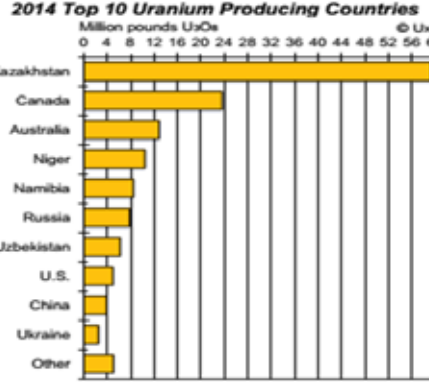
Despite a 30% rise in spot prices over the past year, the market remains depressed and is off about 50% from its high in early 2011. Therefore, it is of little surprise that uranium equities continue to lag behind the upward movement in the spot price.

Contract uranium deals are mostly done privately with only vague details and terms released in public documents. That said, transparency has improved considerably over the past ten years. Broker bid/ask spot prices are now tracked and posted daily. However, uranium trading continues to be a largely opaque market.

If the spot price is to increase in the near-term, here are some likely catalysts:

- Supply and demand fundamentals require that buyers exceed sellers, so the most important catalyst is the return of utilities, traders, and speculators to the spot market.

- China continues to stockpile U₃O₈ for its ongoing nuclear build-out. There are 28 reactors under construction, 43 planned, and 136 proposed.



- Japan continues with reactor restarts in a timely fashion. There has been speculation that Japanese utilities have periodically sold stockpiled uranium into the spot market to generate cash for purchase of expensive alternative fuels, mostly LNG and oil. Whether true or not, reactor restarts would result in resumption of contracted deliveries that have been on hold since the country-wide shut down.

- Supply disruptions, destruction, and delays will likely continue until prices rise. In recent months, there have been additional mine closures, production cutbacks, suspension or outright cancellation of new project developments, and long permitting delays. As always, the cure for low prices is low prices.

- The geopolitical situation between Russia and the Ukraine continues to worsen. Both are significant uranium producers.

On that note, let’s take a look at the world’s 10 largest uranium miners in 2014:

A quick perusal of these 2014 charts gives one pause with respect to the certainty and security of future Western World supplies of U₃O₈:

- 62% of the world’s uranium supply came from these six countries: Kazakhstan, Niger, Russia, Uzbekistan, China, and Ukraine.

- These six of the top ten producing countries have corrupt and/or unstable

>

We certainly have the uranium resources in the Western US to become self-sufficient again.

governments and must be considered unfriendly to the USA.

- Kazakhstan alone produced 41% of the world's uranium.

- The United States consumed 51 million pounds of yellowcake yet produced only five million pounds, less than 10% of its annual demand.

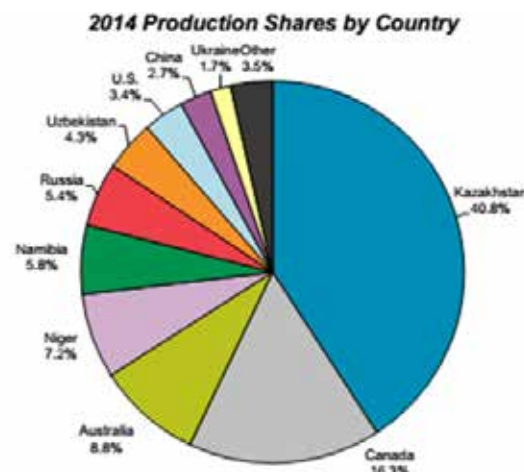
Yet the uranium story remains the same:

- Nuclear reactors now provide 14% of the world's electrical energy and, given the new plants coming online, that percentage is likely to increase going forward.

- The percentage is even higher in the good old US of A at 19%. In other words, when one out of every five Americans switches on a light at night, that electricity is generated from nuclear fuel.

- There are now 437 operable nuclear power plants worldwide; that is four more than the pre-Fukushima count.

- According to the World Nuclear Association, there are 66 nuclear power plants under construction and another 166 are currently planned, i.e., approved with funding completed or committed. The world averages



one new reactor coming online every two months.

- The ongoing nuclear buildout will result in increasing demand for yellowcake and is projected at 3-4% annualized growth.

Analyst consensus projects a significant deficit for mined uranium and secondary supplies in the mid- to long-term. Opinions differ as to when the deficit will commence but are generally in the range of 2017-2018.

The sources of new supply are problematic because conventional underground uranium mining and milling

requires significantly higher prices to be economic, generally estimated at \$65-80/lb. Lower cost mines, either in-situ recovery (ISR) or open-pit heap leach, are at best breakeven at current prices.

The logical conclusion is that uranium prices must nearly double to meet projected demand by the later part of this decade.

Meanwhile, sovereign stockpiles are dwindling; higher cost mines continue to cut production or are being shuttered; major new projects have been and will continue to be delayed or shelved; and the Russia-USA supply deal thru 2023 is just half of the amount supplied by downgrading of weapons-grade to reactor-grade U3O8 from 1993-2013.

So where will new uranium supply come from to meet the growing demand?

Mined uranium and secondary supplies will both be parts of the solution. Recycling and reprocessing are increasing every year but they still produce only a minor amount of the world's total uranium supply. Enrichment underfeeding will continue to contribute to supplies. Mining, however, will remain the major contributor to future supply and prices must increase for new mines to be developed and come on stream.

That said, every major established uranium district in the world faces unique challenges that make new developments problematic in terms of economics, sustainability, and/or timing to production:

- Since the uranium renaissance of the mid-2000s, increased demand has been mostly met by Kazakhstan, which has gone from 11.5 million to 61.1 million pounds of U3O8 production over the past decade. However, its shallow and high-grade ISR mines in the north are being depleted and production is increasingly moving to southern districts that are deeper, lower-grade, and more difficult to recover. Therefore, there are doubts if Kazakhstan's current production level is sustainable.
- Canada's Athabasca Basin is the site of the world's largest and highest grade uranium mines. Exploration success continues in the Basin but these deposits require high capital expenditures and very long lead times to development and mining, now estimated at 15-20 years.

- There are world-class sandstone uranium mines and development projects in Niger. But

the country is plagued by a corrupt bureaucracy and unstable government, and its mines have been repeatedly targeted in civil wars and Islamic terror attacks over the past decade.

- The open-pit mines in Namibia are very low grade, unprofitable at current prices, and have water supply issues in the world's second driest desert. Projects

“The removal of demand from Japan and, to a lesser extent, Germany from 2012-2015 has been devastating to the uranium market.”

require desalinization plants on the coast with pipelines to mine sites in the country's interior entailing high capital expenditures.

- The western United States is the world's second-most endowed uranium province. Two sandstone uranium deposits in the Grants Mineral Belt of New Mexico contain giant, high-grade resources but will be underground mines that require higher prices for financing and development.
- Smaller, moderate-grade sandstone-hosted deposits occur in Utah, Colorado, and Wyoming but again are relatively high cost underground mines. High-grade resources occur in breccia pipes of the Northern Arizona Strip but most of this


prospective ground has been removed from mineral entry by the US government. A huge, high-grade sandstone deposit in Virginia is subject to a state government moratorium on development.

- ISR mines in established districts in Wyoming and South Texas are low capex and low cost with relatively fast timelines to

permitting, development, and production. However, these are small sandstone uranium deposits, generally in the range of 1-10 million pounds that require sequential well field development and ongoing sustaining capital to maintain production. Larger (20 to 100 million pounds) ISR-amenable deposits in New Mexico are burdened by long lead times to permitting.


- Unconformity deposits in the Northern Territory of Australia are high-grade giants but face geopolitical hurdles stemming from ongoing governmental and aboriginal opposition to the mining of uranium and with no current timeframe for development.

As a patriotic American, I am very concerned




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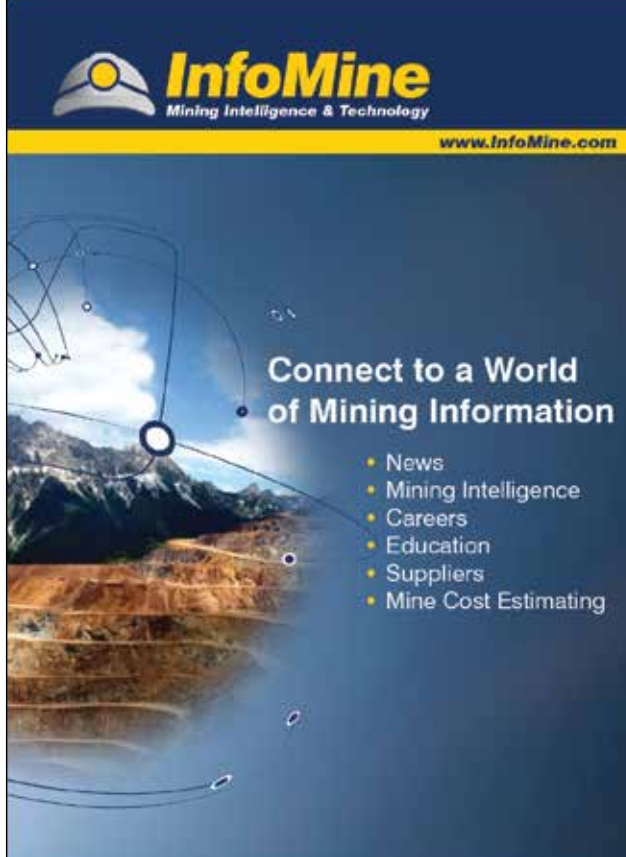




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that we produce less than 10% of our yearly demand for 99 operating nuclear power plants. It is hard to imagine, but over the past 30 years the United States has gone from being the world's major producer, supplier, and exporter of uranium to a massive importer of nuclear fuel.

Although most of our imported uranium comes from Canada and Australia, our dependence upon unfriendly foreign sources is not only significant but increasing. Domestic demand will continue to grow with many older nuclear power plants being refurbished to produce more power more efficiently and five new plants are under construction.

We certainly have the uranium resources in the Western US to become self-sufficient again. But I doubt we have the political will. That said, where and what will be the new domestic sources when prices inevitably rise?

In order of projected time frame to production, here's my short- to long-term list:

- Wyoming, South Texas, and South Dakota ISR projects currently in permitting and development.
- Arizona, Utah, and Colorado conventional underground mines that are currently on standby and will feed the White Mesa mill in southeastern Utah.
- Gas Hills and Sheep Mountain, Wyoming projects that will be open-pit mines and likely employ heap-leach recovery.
- Grants Mineral Belt, New Mexico high-grade conventional underground mines feeding the White Mesa mill and/or a custom toll mill in New Mexico. Lower grade ISR projects are also a possibility if opposition from NGOs and Indian tribes can be overcome.

I remain a uranium bull imply because the mid to long-term supply-demand fundamentals are compelling.

The current 20-30% shortfall of mined uranium versus annual demand will be exacerbated within the next 2-3 years unless prices rise substantially. There are now 66 new commercial-size reactors under construction; 166 are planned, and 322 are proposed. Uranium mining is largely unprofitable, utility and government stockpiles are dwindling, and the increase in recycling, reprocessing, and enrichment supplies cannot meet projected annual growth demand.

Despite the recent downturn in commodities demand, there is one energy resource that continues to grow worldwide: the demand for electricity. Much of that growth is coming from emerging market countries that are largely rural and not yet electrified in the Asia Pacific, Latin America, and to a lesser extent, sub-Sahara Africa.

Folks, there are 85 million more humans on Earth every year and 25% of them still go to bed at dark and rise at dawn. But that paradigm is changing rapidly, especially with urbanization in China and India.

For the next two to three decades and perhaps longer, nuclear energy will remain the planet's only source of base-load electricity without a significant carbon footprint.

I maintain a contrarian speculating and investing philosophy and opine that now is an opportune time to take positions in uranium explorers in the Athabasca Basin of Canada and developers and producers in the United States. As always, contrarianism requires patience and a longer outlook. Over three decades of investing in the

resource industry, I have learned to follow the smart money and those individuals and entities have been and are speculating in uranium equities.

That said, there are unique wild cards in the uranium game. They include the following:

- Annual USA Department of Energy spot market sales continue to disrupt uranium prices. Under a formal agreement with the Uranium Producers of America, the government agreed to supply no more



than five to seven million pounds of U3O8 equivalent to the market annually and to not disrupt the spot price with its short-term sales. However, since the Obama administration took control in 2008, the DOE has repeatedly violated this agreement.

For example: When the spot price reached \$39/lb in late March to late April and briefly touched \$40, the DOE immediately dumped three million pounds U3O8-equivalent on the market in conversion form (UF6). This resulted in the spot price dropping to \$35 and change in little more than a week.

There is current legal action making its way through the court system with US conversion company ConverDyn suing the DOE for its actions over the past seven years.

- Atomic bomb dismantling is on hold and has been since the USA-Russia HEU to LEU program ceased in 2013. This is despite Obama's bully pulpit pledges in 2009, 2011, and 2013 to rid the world of nuclear weapons. That said, downgrading of weapons-grade to reactor-grade uranium remains a significant potential source of nuclear fuel.

will burn all long-lived actinides, including uranium and plutonium.

- Alternative nuclear reactor types including fast breeder reactors, small modular reactors, and thorium-based fuel reactors remain 10-15 years from impacting the current single-fuel run, open cycle, uranium-based nuclear industry.

• Another black swan event à la Fukushima, but enough has already been said about that. Now let's switch gears and review the general performance of uranium equities since the business emerged from the 25-year doldrums in 2005:

- H2 2005 - H1 2007 Boom.
- H2 2007 - 2008 Bust.
- 2009 - H1 2010 Flat and out of favor.
- H2 2010 - Q2 2011 The next big thing.
- Q2 2011 - Present Bust.

So what does the future hold for contrarians like me that are committed to uranium stock plays? This song sums up my opinion succinctly:

The Future's So Bright, I Gotta Wear Shades
(Timbuk 3, 1986)

*I study nuclear science, I love my classes
I got a crazy teacher, he wears dark glasses
Things are going great, and they're only getting better
I'm doing all right, getting good grades
My future's so bright, I gotta wear shades.*



A list of uranium explorers, developers, and producers that I currently cover is available via this link: [MercenaryGeologist.com Sponsors](#). Recent Mercenary Alerts on these companies are available by [clicking here](#). Note that I own shares in their stocks and they pay fees to sponsor my website

I remind you to speculate at your own risk and when researching micro- to small-cap resource stocks, please beware of frogs masquerading as princes:



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‘POTENTIAL... ABOUT TO BE ‘REALIZED’... NOW THERE’S A FORWARD-LOOKING STATEMENT FOR YOU!

By David O'Brien

Getting Warmer and Warmer... in the Best Possible Ways

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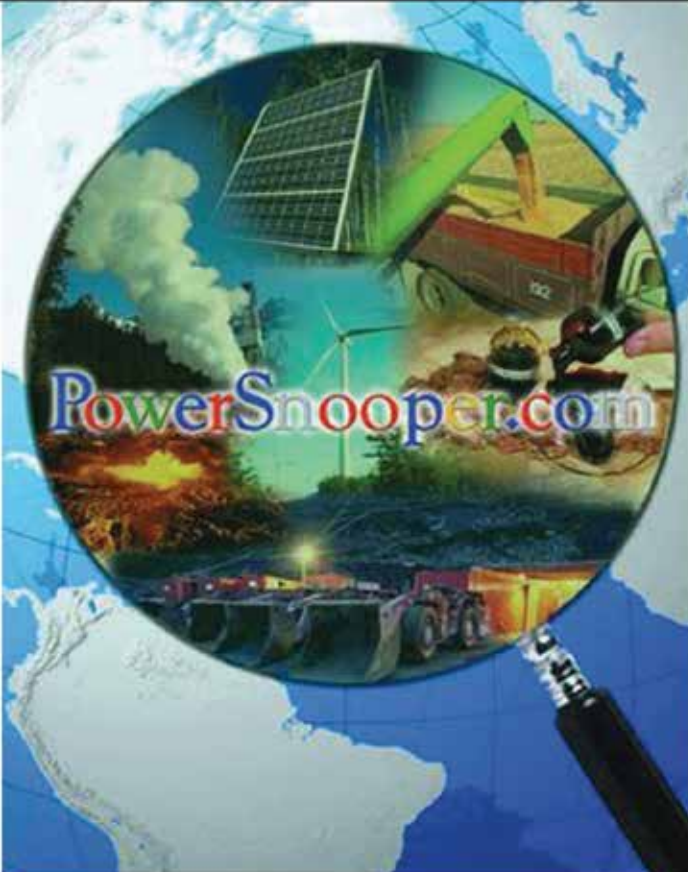
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One of the pleasures of writing about ‘potential’ is having that potential... be ‘realized’. I’ve been covering Nevada-based explorationists, developers and producers, many of them for almost a decade, and quite a few have gone through the first two stages and are in production.

With new technologies applied to historic sites and new ones, too, there’s even more potential out there. Nevada is a renewed Gold Frontier! Three hundred million ounces have been taken out of there already, with plenty more to come. New discoveries, with deeper drilling, grades getting better at depth and large gold deposits waiting to be discovered in the ‘new’ Nevada frontier.

The **Atoka Gold Corp.** story is in an even earlier stage of exploration than I usually cover, however, if management is right, this **Red Rock** property probably has over 5 million ounces Au. That kind of number will get the attention of developers and Joint Venture Partner prospects, even in these tough times for the industry. ‘We’ have still got to meet the inevitable increasing demand for the precious metal(s), and frankly, I’d gather a consensus of sentiment that this is the bottom of a drastic and longer than usual downturn. This could be a great ‘buy-now-and-hold’ time for good properties, with good management, local infrastructure and in one of the best mining-friendly jurisdictions in the world... its life-blood as a state.

Atoka Gold is a privately-held exploration company seeking partners to complete the discovery of a potential new Carlin-type major gold deposit in the Battle Mountain–Eureka gold belt. The principal potential at Red Rock is for large Carlin-type gold deposits hosted within lower-plate carbonate lithologies, interbedded carbonate units within upper-plate rocks and in, or adjacent to, favourable structural zones. More detail on their website:
<http://www.atokagoldexploration.com/red-rock-property/>

The Red Rock property is located 25 mi (41 km) south of Battle Mountain, Nevada, on the west side of the Shoshone Range in Lander County. The area includes two contiguous packages of mining claims – 24-claim (RRC) that are leased from **Centerra Corp. (CG: TSX)** and 362 claims (AC, LS, and SAL) which are owned by Atoka Gold Corp.

As usual, we really like the ‘proximity play’... when the rock formations are so similar to nearby producers’ properties... it’s just great indicator of that potential. Red Rock is situated at the intersection of the Battle Mountain-Eureka and Rabbit Creek Gold Belts. It lies within the greater Cortez Mining district which includes several major gold mines and deposits – Pipeline & Cortez Hills (**Barrick Gold Corp. ABX: TSX & NYE**), Phoenix & McCoy Cove (**Newmont Mining Corp. NEM: NYE**) and more... Pediment, Cortez... Several drill holes have intercepted gold at shallow depths and the ‘lower plate’ has been discovered as shallow as 1,400 feet.

Unusually, I discern that management has a plan to have a developer/eventual operator take over the reins, as has been the case many times with Arthur Leger and his thirty years right in ‘them thar hills’. Early Shareholders will see the greatest benefit when this next drill program is assessed, and there is a Private Placement offering that you can participate in; and if you’re a Sophisticated/Accredited Investor, call me anytime for more details and Subscription forms. Do your Due Dili!

David O'Brien, is the owner of **Int'l Mining Research Inc.** which employs Media, Event and Online exposure, including **MineSnooper.com**. O'Brien also owns **W.I.T. Marketing**, an ad agency, and has been contributing articles to **The Prospector NEWS**, on demand. He owns no shares in the above companies.
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NAMIBIA'S ONLY GRAPHITE PRODUCTION AREA: THE AUKAM

By David O'Brien

Even though **Caribou King Resources Ltd. (CKR: TSX-V)** has some great graphite prospects over here in Quebec, including one in the famous Buckingham area (mined since 1875), this article will delve into their new Namibian **Aukam Graphite** story, which they're earning in to 63% from **Next Graphite, Inc. (GPNE: OTC Pink)**.

The project is located on the Aukam farm 104, in the Bethanien district in southern Namibia... located 120 miles from the Port of Luderitz.

The graphite occurrence is in a shear zone within the Namaqualand Complex, which is a high-grade vein-type deposit, and includes medium to large flake distribution. Aukam produced 25,000 tonnes of graphite periodically between 1940 and 1974.

Stockpiles of 140,000 tonnes of graphite (Cg) above ground average 42%. The underground mine has been upgraded and readied for work, which is ongoing now.

CONTINUING OUR CHECKLIST: Infrastructure

The infrastructure in the area is good with access to the site possible throughout the year. The Aukam Graphite deposit is

relatively close to a main tar road and well-graded. There is a national power grid that passes 2 km from the property.

Water is available in large amounts from underground aquifers (there is an old pump station at the foot of the mountain which was used previously to supply operations with water). The nearest rail link is located next to the main highway (about 70 km from the site). Suitable areas for tailings dams and flotation plants are available dependent on the eventual plant design.

The nearest town of Aus is some 87 km away by road. The area is very arid farmland.

Physiography

The Aukam Graphite deposit is between 1150m and 1300m above sea level. The area is rugged with steep sided valleys and abrupt changes in local relief caused by differential erosion.

Geological Setting

The Aukam Graphite deposit surfaces in an erosional window incised through the hard layers of sedimentary rocks that mantle southern Namibia. The older hosting rocks, known as the Namaqualand Complex, are assemblage of gneisses, marbles, schists,

quartzites, amphibolites with nested intrusive rocks including granite and gabbros. This suite of rocks indicates that the entire complex was once deeply buried. Intrusive events of charnockites have been dated between 1,300 and 900 million years ago (Kroner and Blignault, 1976).

Steep-dipping shear zones are common and some are dated by Joubert (1974) around 1,200 million years ago.

A prominent flat-lying and resistant sediment layer overlies the erosional unconformity at the top of the Namaqualand Complex. The specific formation has yet to be confirmed; however, it is likely to be the lowest most member of the Nama Group (Dabis Formation).

You can see more details about the Aukam Graphite deposit here: <http://www.nextgraphite.com/aukam-graphite-project>

Over the years we've covered quite a few projects from the Engcom Group, and even though the location is further afield, the prospect seems good with the high-grade heaps stockpiled to date on surface, and the potential of a vast deposit underground already having been an economic producer. Do your Due Dili.

Caribou King Resources (CKR: TSX-V) has a **Private Placement financing** open (as at press time) with units at 10 cents which include a 15 cent half warrant exercisable for 12 months to raise \$650K. If you are a Sophisticated/Accredited investor, please contact either myself or John Masters (john@engcom.ca) for the **OM** and **Sub Forms**.

If you'd like to meet the principals, contact me and we'll set up an appointment.

I've been following various graphite stories, as long-time readers will know, and this one's pretty intriguing, in my opinion. Graphite has MANY industrial uses, and multiplying with the advent of the new greener technologies, such as lithium batteries, which use thirty times more graphite than lithium! Love when something becomes more than a commodity because it has some real economic impact on more than one sector, with many applications. That's graphite, for one...

David O'Brien, is the owner of **Int'l Mining Research Inc.** which employs Media, Event and Online exposure, including **MineSnooper.com**. O'Brien also owns **W.I.T. Marketing**, an ad agency, and has been contributing articles to **The Prospector NEWS**, on demand. He owns no shares in the above companies.
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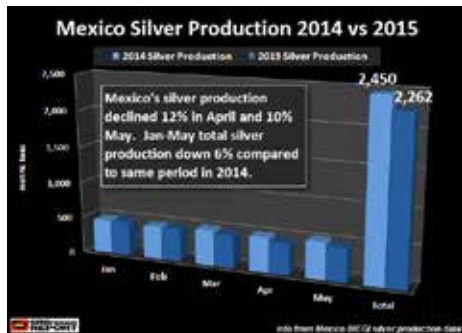


IS MEXICO THE SILVER CANARY IN THE MINESHAFT?

If the decline in Mexican silver production during the last few months is not enough to qualify as a clarion canary-call, what if we add Australia and Peru? If three canaries in the supply mineshaft continue to sing, combined with the tidal wave of investment demand that seems to be developing lately - well then “Houston we (just may) have a (supply side) problem!”

By David H. Smith

Last month, Steve St Angelo, on his site at srsrocoreport.com took a look at silver production totals for the above mentioned countries and noticed that Australia was down 31% compared to Q1 2014, and Mexico declined enough during April-May to take its January-May production down 6% compared to the same period last year. Although Peru's production is up slightly so far, the 14% decline in May, enabled it to barely eke out a 3% rise for its January-May production over last year's metric. A few months of production decline does not a secular trend make, but when three of the largest primary silver-producing countries are demonstrating a similar descent, it should cause us to start keeping a closer eye on supply side issues.



premiums on the 70 pound - 1,000 ounce industrial - strength bars, could just be another passing fancy after a few weeks, or at most a couple of months. After all, this sort of thing has happened before. But what if this time it is different?

Richard Nachbar's Prescient “Junk Silver” Observation

Should such a sea change turn out to be the case, one of the few people who can take genuine credit for causing us to look under the hood a few months ago, when paper silver was looking weak and supposed-market savants were calling soon for a \$10 handle, is a veteran of the silver coin and bullion markets, Richard Nachbar, at coinexpert.com

If you look at the chart premium for US 90% silver coins, a few things become immediately apparent. First, it's important to focus on the times when there was a premium, rather than a discount to melt value. We can see two pronounced spikes in early 1999 and late 2008, and some “spikelets” in 2002 and 2003. Something similar started to happen again in early 2013, but instead of yo-yo action, the premiums built a strong sideways with upward bias base, more “intriguing” than at any other time on the chart. As of now, the premium over melt value has risen to over 40%.

At moneymetals.com this week, Stefan Gleason made an observation about the interesting arbitrage opportunity that the current setup provides. He said that “for those who don't mind parting with a popular and highly-divisible form of silver (US 90% coins), there has seldom been a better opportunity to swap pre-1965 silver coins for low-cost 1,000 ounce silver bars. In the process, this could enable them to increase the silver ounces they own by over 30%.” Now that's the kind of math I like!

For as long as this writer can remember, David Morgan, at themorganreport.com has been telling subscribers, and audiences at speaking engagements worldwide, that investors might almost literally have to nail down the last ounce of available physical silver before the paper pyramid bucket shops that have steadily fleeced investors for a generation finally implode once and for all. If so, the COMEX would be forced into a cash and carry moment (customers get to carry out cash instead of their silver); price discovery might move irretrievably to Asian physical-backed exchanges, and a run on available silver could make a tsunami look like a gentle wave lapping the beach.

Responding to a recent teapot tempest tantrum among silver supply deficit deniers about the vaunted safety of precious metal “pool accounts”, Jim Sinclair remarked, If silver is “in your hand”, you then know for a FACT you own it, no questions. If you have a “receipt” for silver, how do you know the silver is actually there?...

The reason people own gold or silver is to protect themselves from a financial collapse. Factually, NOTHING has been changed or fixed since the 2008 affair, what comes will be very close to the same thing, only worse as debt and leverage ratios are far worse. A financial collapse is mathematically coming, this is not opinion. Gold and silver are crash insurance and will be “called” on when the markets break. They must be available in a time of crisis to perform their function. If you hold metal in hand, you have no question as to whether you own it...(if) all this paper is not in fact backed, you end up just like everyone else, broke!

Do you trust the pontificators who scoff at anyone daring to suggest that holding paper silver is less sensible than having some of the bright, shiny, heavy stuff in your hand - with no claim on it but yours? After all, paper promises have always worked before...until they didn't! But then what do les misérables (“the poor ones”) know? The Zimbabweans, North Koreans, post-war Germans, Argentines, Venezuelans - and someday you?

Disclaimer: David H. Smith is Senior Analyst for <http://www.Silver-Investor.com> and a regular contributor to moneymetals.com. For the last 15 years, he's investigated precious metals mines and exploration sites in Argentina, Chile, Bolivia, Mexico, China, Canada, and the U.S. He shares his findings and investment perspective with readers, media listeners, and audiences at North American investment conferences.

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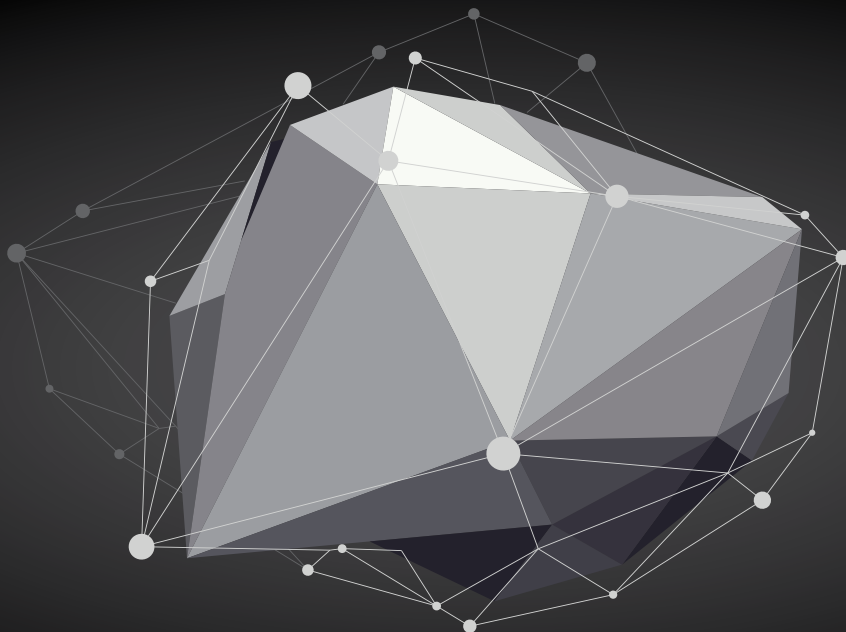
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