

# PROSPECTOR

## RESOURCE INVESTMENT NEWS

August 2016

# THE LIFE CYCLE OF MONEY

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# CONTENTS

## 04 THE LIFE CYCLE OF MONEY

[...] monetary debasement is not a recent phenomenon; it is simply the natural life cycle of money.

## 06 SILVER SLEEPING ON THE JOB

In the time of the ancient Babylonians [...] there were seven sacred metals: gold, silver, copper, iron, tin, lead and mercury.

## 08 WATER RIGHTS IN NEVADA AFFECTING BRINE-BASED OPS

Dajin is an example of a Li junior with staying power.

## 10 DIFFERENTIATING MINERALIZED CLAYSTONES FROM BRINES

Cypress Development's mission is to increase shareholder value by developing exploration projects near world-class deposits that have the potential of becoming new discoveries.

## 12 THE 14-YEAR RECORD FOR THE TORONTO VENTURE EXCHANGE

[...] for overall, bull, and bear market conditions, there are predictable intra-year trends in the capitalization of the Toronto Venture Exchange (TSXV).





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**PUBLISHER:** Michael Fox  
[editor@theprospectornews.com](mailto:editor@theprospectornews.com)

**PRODUCTION:** George Pitaru  
[george@pitaru.ca](mailto:george@pitaru.ca)

**CONTRIBUTORS:** David O'Brien, Mickey Fulp, Peter Epstein, Richard (Rick) Mills

**THE PROSPECTOR NEWS**  
Telephone: 604-639-5495  
[sales@theprospectornews.com](mailto:sales@theprospectornews.com)



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# THE LIFE CYCLE OF MONEY

By Mickey Fulp

In the aftermath of the global economic crisis of 2008-2009, governments throughout the world have fostered a tenuous recovery predicated on massive increases in money supplies and debasement of currencies.

Note however, that monetary debasement is not a recent phenomenon; it is simply the natural life cycle of money.

There are six well-defined stages in the life cycle of money. This progression has occurred in every dominant civilization over the 5000 years of recorded human history:



## STAGE 1: A BARTER MARKET BEGINS.

Societies organize and begin to function with a basic barter system for trading goods. Incipient barter is a direct exchange of goods for goods. Goods are defined as wealth and wealth is produced when humans apply labor and knowledge to extract natural resources from the earth. As the civilization progresses, services become of value and are also bartered. A citizen produces and barter his goods and/or services; their perceived value to the community is equal to his individual and/or familial wealth.

## Stage 2: Free Market Money Emerges.

After a barter economy is well-established, a society progresses to the concept of free market money and a currency system emerges. Having a recognizable, reliable, and uniform unit of monetary exchange facilitates business, commerce, and trade within and between citizens, communities, and societies.

For 5000 years the currencies of choice have been gold and sometimes silver. Many civilizations have selected these precious metals as money based on trial and error and often independently of each other.

Aristotle proposed four critical attributes for money nearly 2500 years ago: He wrote that money must be durable, portable, divisible, and intrinsically valuable. Gold has been repeatedly determined to be the best store of value because it does not tarnish or corrode; it is

easily stored and convenient to transport great distances; it can be minted in small and uniform pieces; and it is scarce. Although not as ideally suited as gold, silver has often served as a primary monetary instrument for trade and exchange.

## Stage 3: Government Regulates the Market.

Communal order is required in a functional society and therefore, a government is formed. Sometime later, government becomes involved in regulation of the marketplace. Its size and power grow and it begins to control more and more aspects of business, commerce, and trade.

Laws, rules, and regulations are instituted to regulate and control trade through tariffs, taxes, quotas, and penalties. Taxes are imposed as a means to limit the wealth of ordinary citizens, preserve the power of the rulers, and support the growing government agenda. The economic system is increasingly divorced from a free market and forced to operate in a regulatory regime where government controls the money supply.

## Stage 4: Government Monopolizes the Money.

The government takes absolute control of the money supply and sets up a currency system to issue official coinage from a central mint. It controls the size, design, weight, and purity of the coinage. Later, the government issues paper promissory notes redeemable in coinage and decrees that these notes are money, i.e., a fiat currency exchangeable for goods or services. Backed by its own laws, the government institutes a monopoly of the monetary system and forbids local governments, banks, and citizens to compete by issuing public or private currencies.

## Stage 5: Government Debases the Money.

Government must increase taxes to sustain its continuing growth, and citizens protest the seizure of their hard-earned wealth through onerous taxation. In order to fund its growing obligations and to lessen dissent from higher taxes, the government begins to debase the value of its money. Historically, governments have shaved off pieces of coins, issued smaller coins, or made coins with less gold and/or silver content. The next step occurs when the government removes all precious metals from its coinage. Eventually, it declares that its promissory notes are no longer redeemable in precious metals. At this point, there is no basis to the monetary system other than the government's promise to pay.

The issuance of currency without backing by precious metals allows the government to create “money” at will for its own purposes. The government creates more and more money and, because the currency in circulation increases while the availability of goods and services remains the same, prices increase.

The increase in money supply is known as inflation and the consistently rising prices for goods and services are a by-product of that inflation. Inflation robs citizens of wealth and savings by decreasing the purchasing power of their money.

### Stage 6: No Confidence and Collapse of the Money.

Inflation, indebtedness, and government deficits increase and citizens realize that the fiat currency representing their lifelong labors, savings, and wealth is continually losing value. Poor money management by government results in a stagnant economy, rising prices, shortages of food and goods, and increasing public and personal debt.

The ongoing devaluation of fiat currency leads to a lack of confidence by the citizens with resulting runs on banks and collapse of the banking system. Civil and political unrest accelerates. Ultimately, the government defaults on its promises to pay and economic and societal chaos ensues.

Thus, the life cycle of money is complete.

### Re-Emergence of Free Market Money.

Citizens desire a return to a monetary system that is stable, secure, and non-inflationary. They realize that gold is a safe haven for preservation of wealth and is the only insurance policy against oppressive government and constant currency debasement. Demand for gold and silver rise.

If collapse of the previous civilization was complete, new societies eventually emerge with barter economies followed by evolution to free market money.

Those citizens with financial acumen have accumulated precious metals as a key component of their overall assets and survive the economic collapse with significant wealth. They become the financial leaders of a new free market money system based on gold, the citizens as a whole prosper and flourish, and widespread wealth grows again.

### Conclusions:

It literally pays to understand the history of money in societies, city-states, countries, and empires. By recognizing the six stages in the life cycle of money and the position of present-day governments within this cycle, citizens can make better informed monetary decisions. They can partition their assets to maximize wealth and mitigate the effects of currency debasement and the chaos of economic collapse. Governments have universally debased their currencies without the backing of gold for 45 years. Central banks in both the world's

developed and undeveloped countries have repeatedly failed or have been bailed out by their governments by the issuance of more and more fiat currency.

The net results are increasingly high leverage, negative interest rates, extraordinary indebtedness, currency devaluations, serial defaults, and economic collapse of countries throughout the world. Monetary crises, food and supply shortages, rioting and rebellion, civil wars, and overthrow of oppressive regimes have become commonplace.

We have now entered stage 6 of The Life Cycle of Money with widespread lack of confidence in an entire basket of increasingly worthless fiat currencies. The \$64,000 question is when will the inevitable global economic collapse occur?

I will flatly tell you that no macroeconomist, maven, medium, self-appointed prophet, pundit, talking head, or wizard can or will predict the exact timing.

That said, savvy citizens currently have the opportunity to acquire physical gold at a +30% discount to its historic high. We can still protect our wealth from the unholy shenanigans of corrupt and unstable governments led by politicians and rulers whose only concern is to preserve their power over the ordinary masses.

For these reasons, I urge you to make physical gold an integral part of your wealth. And I strongly suggest you do this sooner than later.

Folks, please recall The Golden Rule: He who owns the gold, makes the rules.

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# SILVER SLEEPING ON THE JOB

*As a general rule, the most successful man in life is  
the man who has the best information*

By Richard (Rick) Mills  
[aheadoftheherd.com](http://aheadoftheherd.com)

In the time of the ancient Babylonians - long before the periodic table - there were seven sacred metals: gold, silver, copper, iron, tin, lead and mercury.

In Roman and Greek Mythology, the First Age was called Golden, the Second Age Silver. Apollo, the god of truth and light, and teacher of medicine, carried a silver bow.

The hieroglyph of Isis (Egyptian moon goddess) is a crescent and images of her are usually reproduced with her standing on the Crescent. This has also become the symbol for silver - on old maps a crescent shows the location of a silver mine.

Islamic alchemy gave silver an important place, alchemical procedures were defined in terms of silver - the silvering of other metals, the act of giving other metals silver like qualities.

We've long practiced the science (metallurgy) of separating silver from lead - the earliest known workings of any significant size were those of the pre-Hittites of Cappadocia in eastern Anatolia, the first sophisticated processing of lead-silver ore was attributed to the Chaldeans around 2500 B.C.

Silver metal was recognized as more precious than gold when bartering in ancient Egypt - this recorded as early as 930 BC. Silver's use as money in coin form began around 2600 years ago. The Lydian (present day Turkey) Trite is considered by many experts to be one of the first coins used as money. It was made of "Electrum", a silver and gold mixture. Egyptian silver in coin form began appearing around 300BC.

Silver and gold have stood the test of time, as a medium of exchange, a storehouse of value and a safe haven in times of turmoil.

The history of fiat money has always been one of failure (most paper money economies downfall can be linked directly to the costs of financing out of control military growth and its wars). Every fiat currency since the Romans started diluting the silver content of their denarius has ended in devaluation and eventual collapse of both the currency and of that particular economy. For the very first time in our history, all money, all currencies, are now fiat - the US dollar use to be gold backed and it was the rock all the worlds currencies were anchored to - when the US dollar became fiat, all the worlds currencies became fiat.

The Federal Reserve first issued its debt based paper money in 1913. Since then the US dollar has lost over 95% of its value.

"The major monetary metal in history is silver, not gold." Milton Friedman, Nobel Laureate

In this author's opinion silver has a few unique twists...

As a much cheaper precious metal silver is winning market share from gold buyers. The higher gold prices go the more consumers will step down to silver, more so if they think silver's price will rise substantially.

*Today the gold:silver ratio stands at 74:41:1  
Gold US\$1,300.00 oz/silver US\$17.47 oz = 74.41  
Historically the ratio has been 15:1*

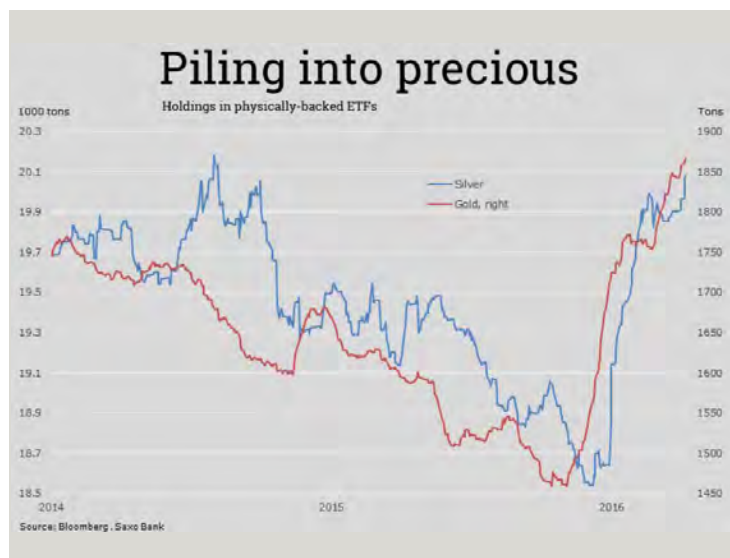
Since silver made it's nominal high in 1984 the gold:silver ratio has held fairly steady at 45:1 - with the current ratio at 74.41:1 either gold will have to fall or silver will have to rise to \$28.88 in order to get the numbers back in sync with 45:1.

To get back to the historical average ratio of 15:1 silver would have to rise to \$86.66 an oz.

Silver, like gold, also performs it's function as a precious metal – acting as a storehouse of value and a safe haven in times of turmoil - although, and herein might lie the opportunity, silver seems to have been asleep on the job what with the historical gold:silver ratio being so out of whack.

Gold does seem to be performing admirably and in this authors opinion does not seem set to significantly drop in price any time soon, the Dow on gold's terms:

- In 2000 gold made its \$260 per ounce low
- January 2000 the Dow was 10,900
- 10,900 / \$260 per ounce = 41.9 ounces to buy the Dow
- Today at 17,675.16 DJII and \$1,300.00 gold it's 13.59 oz to buy the Dow



Frik Els, Going gaga for gold, silver ETFs

Central banks are loading up on gold as well. The World Gold Council reported that central banks scooped up 45 net tonnes of gold during the first quarter of 2016 with central-bank demand first quarter yoy climbing 28%.

## Conclusion

In this authors opinion, it's not if, but rather when, the gold:silver ratio will revert to a more traditional number and share price upswings will trickle down to the very few junior silver producers, the soon to be producers, developers and explorers. It's for these reasons that silver and silver junior precious metal company's should be on every investor's radar screen.

Is silver on your radar screen?  
If not, maybe it should be.

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# WATER RIGHTS IN NEVADA AFFECTING BRINE-BASED OPS

DAJIN RESOURCES HAS ACCOMPLISHED MORE THAN MOST IN NEVADA

By Peter Epstein

**D**ajin is an example of a Li junior with staying power. Led by an experienced and respected team including technical advisors & consultants, it has been operating with boots on the ground in Nevada for about two years and over six years in ARG. Six of eight team members listed on Dajin's website have direct experience spanning geology, mining, drilling, green field exploration, exploration techniques, regional mapping, geoscience, hydrology, project management, social responsibility, geothermal energy & volcanism. Several team members also have experience on the ground in NV & ARG.

In a prior article on Epstein Research I explained why Dajin is well ahead of most global Li juniors. In this article I discuss the under-reported issue of NV water rights. Essentially, there are a few dozen NV focused Li juniors, most clustered in a few basins spread across a few counties. How will half, a quarter or even an eighth of these aspirants obtain water rights in a timely fashion, without undue expense?

Expert, highly experienced consultants are essential when pursuing water rights. Yet, how many NV water rights experts are out there? How many Nevada Division of Water Resources ("NDWR") State engineers are there? Enough to process potentially a few dozen applications? A good way to introduce the topic is by describing a recent action taken by **Albemarle Corporation (NYSE: ALB)**.

## ***"Water Rights Could be a show stopper for Nevada Li Juniors"***

Albemarle filed an official protest with the NDWR against a Li junior's application to transfer the "Place of Use" and "Point of Diversion" of a recently acquired water rights permit in Clayton Valley, NV. The dispute involves a pre-existing certificated water rights permit allowing 1,770 acre feet (~1.233 million liters / 325.9k gallons) per year of water use for mining & milling. The junior filed an application to transfer the water permit from its current location to a location about 8 kms (~5 miles) from the nearest lithium brine production well of Albemarle's Silver Peak Li operations.

Opposition by Albemarle in Clayton Valley underscores important points about water rights in NV. For example, not only can a new application be contested, but an application to transfer a permit is sometimes subject to the same potential for opposition. Dajin's expert water rights consultant told me the quickest an uncontested water rights permit in NV might be issued is approximately 3 months. Most take 6-12 months. The sale, purchase and lease of water rights is routine across the State. However, by no means does attempting to buy a permit speed things up. A permit cannot be sold or leased to another party for a different use, unless an application is submitted to the NDWR and approval is granted.

The NDWR reviews all applications with respect to four broad questions.

- 1)** Is there unappropriated water in the basin?
- 2)** Would the granting of a permit impact existing rights?
- 3)** Would granting a permit be in the public interest?
- 4)** Are municipal (domestic wells) properly protected?

Further, in NV, surface rights are separate from underground rights. This makes the reporting requirements (studies, data, testing, modeling) more costly, challenging and time consuming. It's clear to me that this process is more of an art than a science.

Applications are processed on a first received basis, sequentially, one at a time. Application(s) at the top of the line can materially delay those in waiting. Getting an application in front of NDWR is becoming harder to accomplish. In May, Dajin was granted underground water rights 1,000 acre feet per year, for its 100% owned Teels Marsh Li project in Mineral County, NV. This quantity of water requested represents the total amount of unappropriated groundwater that existed in the Teels Marsh when the application was filed. From the May 26, 2016 press release:

"Dajin believes that the acquisition of water rights is an important aspect of Lithium brine extraction and processing.

Low cost and time proven traditional extraction methods require concentration





of brines by evaporation in surface ponds. New technologies are being developed that use less water and can potentially return processed water to the reservoir. However, Dajin wishes to maintain maximum flexibility in the adoption of any future process technology for the extraction of Lithium from brine at Teels Marsh, hence the acquisition of water rights is an important step forward in Dajin's development plans.

**About Dajin: ([www.dajin.ca](http://www.dajin.ca))**

Dajin is an early stage energy metals exploration company holding 100% interest in 294 placer claims known to contain Lithium and Boron values in the Teels Marsh region of Mineral County, Nevada. These 5,853 acre (2,369 hectares) claims, are adjacent to the birth place of US Borax Corp's first borax mine. Dajin also holds 191 placer claims covering 3,851 acres (1,558 hectares) in the Alkali Lake region of Esmeralda County, Nevada. Dajin has entered into an option agreement with **Nevada Energy Metals Inc. (TSX-V:BFF)** to

explore these claims located 7 miles (12 kilometers) northeast of Rockwood's Clayton Valley Lithium operations.

Dajin also holds a 100% interest in concessions or concession applications in Jujuy Province, Argentina that were acquired in regions known to contain brines with Potassium, Lithium and Boron values. These concessions total approximately 93,000 hectares (230,000 acres) and are located in the Salinas Grandes/Guayatayoc salt lakes basin adjacent to concessions held by Orocobre Limited (TSX-T:ORL), who is partnered with Toyota Tsusho. In July 2015, Dajin executed an agreement with the Tres Morros Cooperativa for exploration of the San Jose Project consisting of 4,400 hectares (10,873 acres) of mineral concessions (San Jose and Navidad) within the Salinas Grandes salar.

The TSX Venture Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

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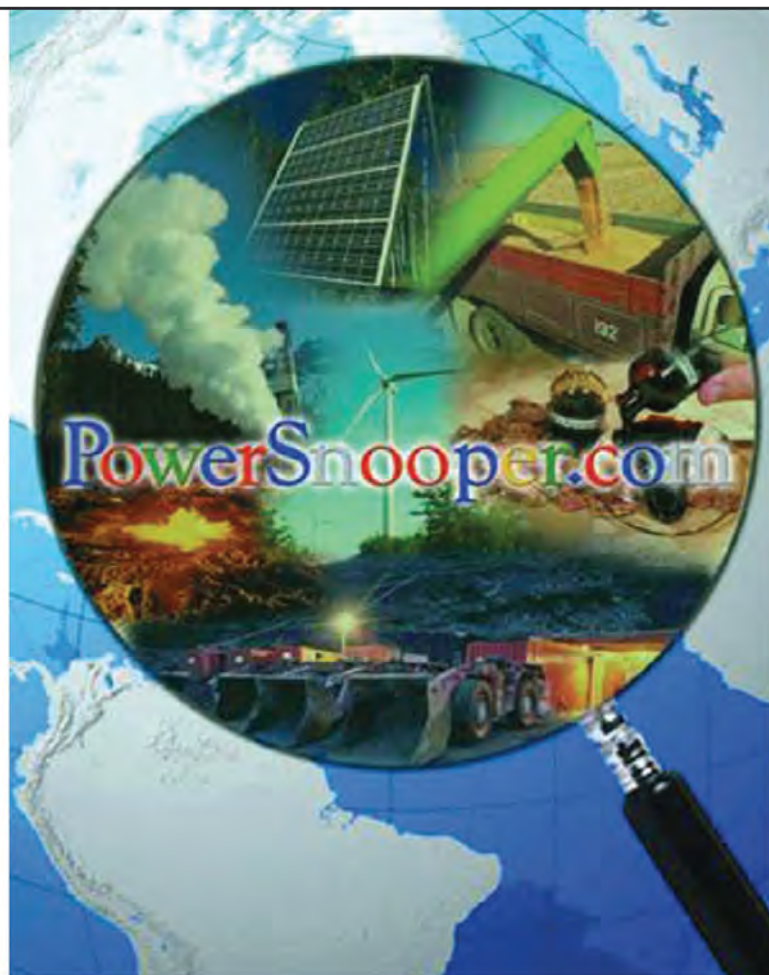
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# DIFFERENTIATING MINERALIZED CLAYSTONES FROM BRINES

By David O'Brien

Cypress Development (TSX-V: CYP) is a publicly traded lithium and zinc-silver exploration company advancing projects in the State of Nevada, U.S.A.

Cypress Development's mission is to increase shareholder value by developing exploration projects near world-class deposits that have the potential of becoming new discoveries.

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Tel: (604) 687-3376  
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*Here's a company that has 'mineralized claystones' at or near surface, which only need to be hydrated to produce soluble brines, then a very weak acid solution applied to get 95 - 97% recoveries! No Water Rights issues!*

**C**ypress Development Corp. (TSX-V: CYP) is a publicly traded lithium, zinc-silver and gold exploration and development company whose main assets include the ownership and development of several precious and base metal projects. Three projects are located in Nevada, United States and one project is located in Ontario, Canada. The Company is continually searching for high-potential mineral projects to add to its exploration and development portfolio.

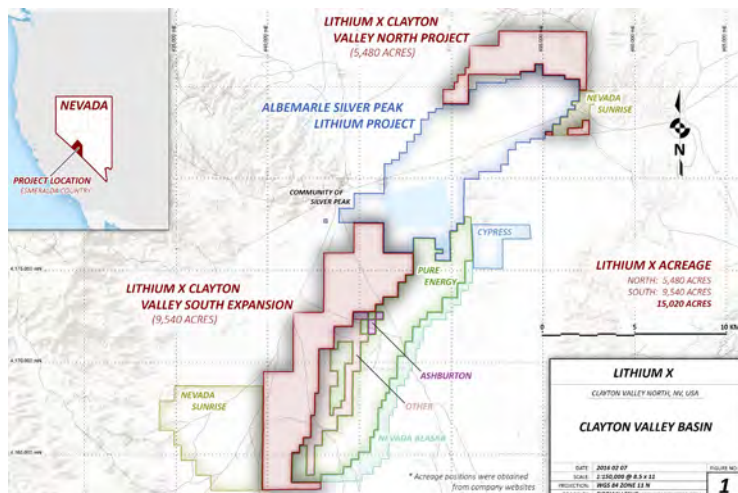
Cypress Development's mission is to increase shareholder value by developing exploration projects near world-class deposits that have the potential of becoming new discoveries.

**Clayton Valley Lithium Project**, Esmeralda County, Nevada, U.S.A.:

Cypress is acquiring a 100% interest in the 1,520 acre Clayton Valley Lithium Project located in the heart of the Clayton Valley lithium brine exploration area of Esmeralda County, Nevada. The Company's flagship Clayton Valley Project is located on the south flank of "Angel Island" (an outcrop) and immediately southeast of the **Albemarle Silver Peak Lithium Brine Mine**. Cypress' Clayton Valley Project shares its western boundary with the lithium brine Northern Resource Area controlled by **Pure Energy Minerals**.

Cypress' highly prospective "Glory" and "Angel" claims are located within 0.5 miles (>1000m) south of current and past-producing lithium brine wells belonging to the Albemarle Silver Peak Mine. A planned





2016 drilling program at Cypress' Clayton Valley Project targeting lithium-rich brines will also include shallow holes targeting a 2 kilometer long discovery zone of 1,100 ppm Li in a highly soluble form of lithium-rich claystone discovered in 2016 outcropping at surface.

I've seen the results of their recent sampling program and they report the highest assay result at surface (3,070 ppm Li) known by the Company to be publicly reported in Clayton Valley, Nevada history.

Many other samples from 1,000 to 2,000+ in the list of assay results. The grade is already high, and the weak acid treatment recovers exceptional Li purity with minimal environmental consequence.

Alkali Valley Lithium Project, Esmeralda County, Nevada, U.S.A.:

The Company has also acquired a 100% interest in the 1,780 acre Alkali Valley lithium brine

project located in Esmeralda County, Nevada. Cypress' Alkali Valley (AV) lithium brine project covers the central and northeast portions of the bottom of the Alkali Lake Playa and is contiguous with claims of the Dajin Resources Alkali Lake lithium project.

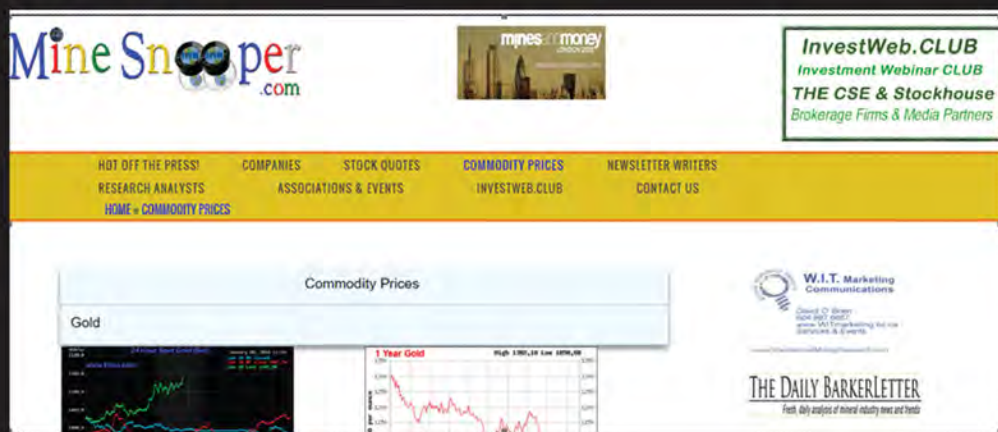
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# THE 14-YEAR RECORD FOR THE TORONTO VENTURE EXCHANGE

By Mickey Fulp

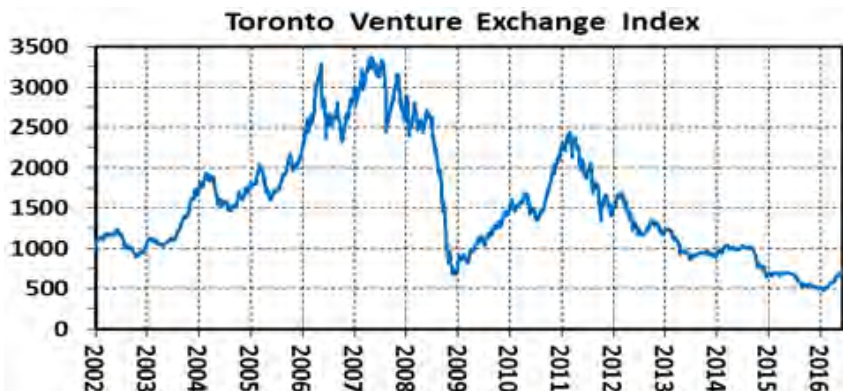
I have documented seasonal moves in the prices of gold and oil over the past 20 years and copper over 13 years (Mercenary Musings: January 4; March 28; April 11). Now I present our research on the seasonality of the Toronto Venture Exchange.

In a series of normalized charts, I will show that for overall, bull, and bear market conditions, there are predictable intra-year trends in the capitalization of the Toronto Venture Exchange (TSXV).

This microcap stock exchange was created with the merger of the Vancouver Stock Exchange, the Alberta Stock Exchange, and the Montreal Stock Exchange and upon its purchase by the TMX Money Group in late 2001. The Toronto Venture Exchange Index, a weighted average of about 400 of the largest companies, serves as a proxy for performance of the overall market.

The market is dominated by junior resource exploration companies with a few small miners in the mix. Of 1773 current listings, 1031 (58%) are classified as "mining" companies. In actuality, few mine anything other than the stock market. Energy companies comprise another 10% of the listings. Minor sectors include diversified industries, technology, life sciences, real estate, and clean technology.

Here is the record of the TSXV Index from the beginning of 2002 thru June 9, 2016:



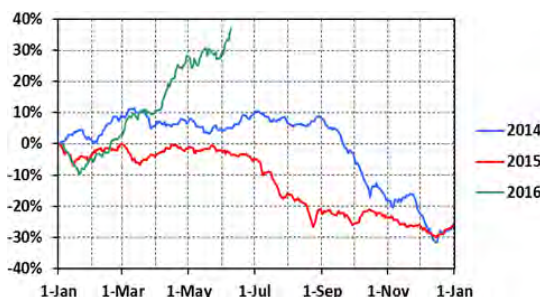
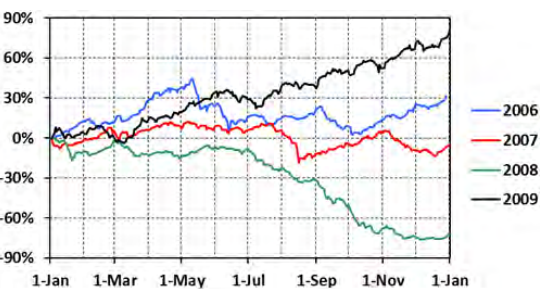
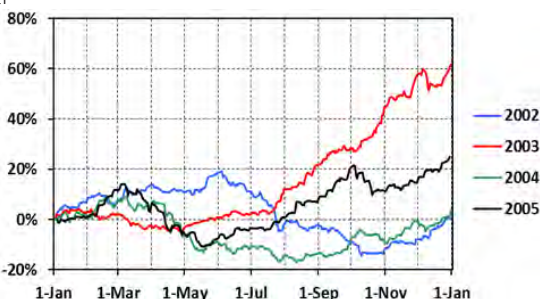
Over the past 14+ years, the Index has exhibited significant volatility. Its rises and falls broadly correspond to bull and bear markets for gold.

Although the market valuation of equities in this resource-heavy stock market is strongly influenced by the price of gold, there are other inputs that directly influence the composite value of the TSXV. They can include:

- Supply-demand fundamentals and prices of other hard commodities.
- General health of the world's economy.
- Performance of major US markets; bull markets generate investor profits that often trickle down to riskier speculations.
- Geopolitical events in resource-rich countries including elections, civil wars, coups, and terrorism.
- Resource nationalism, environmental opposition, and restrictive regulatory policies on mine development.
- Advent of new technologies for exploration, development, and recovery of the hard commodities.
- Discovery of new mineral deposits, particularly in underexplored frontier regions.

The following series of four charts shows the percent change in the daily value of

the TSXV Index normalized to January 1 for each year:





Based on annual opening and closing values, we define bull years for the Toronto Venture Exchange Index (**green**) as those in which the price closed the year >10% higher than it opened; bear market years (**red**) as those in which the price closed the year >10% lower than it opened; and neutral years (**black**) as those in which the percentage change was less than 10%:

Year	Jan Open	Dec Close	% Change
2002	1043	1074	3.0
2003	1083	1751	61.7
2004	1766	1825	3.4
2005	1788	2237	25.1
2006	2274	2987	31.3
2007	3008	2840	-5.6
2008	2870	797	-72.2
2009	847	1521	79.6
2010	1544	2288	48.2
2011	2275	1485	-34.7
2012	1506	1221	-18.9
2013	1240	932	-24.8
2014	939	696	-25.9
2015	707	521	-26.3
2016	526	720*	37.0*

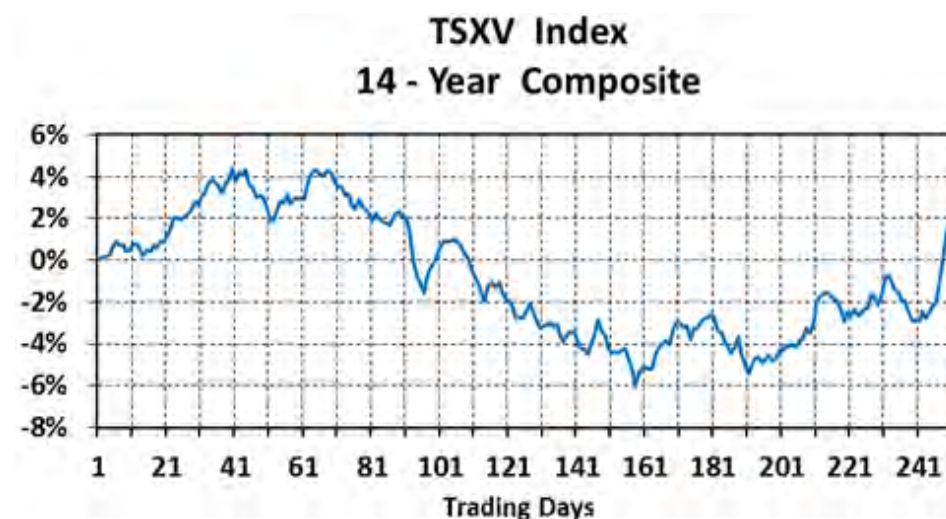
\*thru June 9, 2016

The volatility of the Toronto Venture Exchange Index from annual beginning to end has averaged 33% over its 14-year existence. Note that the Venture Exchange is exactly that, a venture capital market where few listed companies generate any revenue and most are funded by serial equity raises. It is undoubtedly the most volatile capital market in North America and one of the most volatile in the world.

The following three charts present composite yearly trends from January 1 to December 31 for the entire 14-year period, six bear years (2008; 2011-2015), and five bull years (2003; 2005-2006; 2009-2010).

We have chosen to disregard the three neutral years (2002; 2004; 2007) as a separate data set because of small sample size, low volatility, and inconsistent patterns.

Please note the significant change in y-axis scale for the 14-year composite chart; its data range is slightly more than 10% as opposed to nearly 40% for bear years and 50% for bull years:





# SouthernSilver

EXPLORATION CORP



## THE RIGHT PEOPLE, THE RIGHT METALS, THE RIGHT PROJECT, THE RIGHT TIME

Southern Silver Exploration Corp. (SSV-TSX.V; SEG1-Frankfurt; SSVCL-SSEV; SSVFF-OTCQB), a Canadian-based precious/base-metal exploration company focused on the acquisition, exploration and responsible mining development in Mexico and New Mexico.

In the Faja de Plata (The Belt of Silver) in north-central Mexico, 70 km by road from the city of Durango, exploration on the Cerro Las Minitas property from 2011-2016 has led to identification and delineation of three mineral deposits (the Blind, the El Sol and the Santo Nino) as well as a new discovery at the Mina La Bocona Zone. Recently announced NI-43-101, with Mineral Resources at a 150g/t AgEq cut-off equal: Indicated Resource of 36.5Mozs AgEq: 10.8Mozs Ag, 189Mlbs Pb and 207Mlbs Zn; and Inferred Resource of 77.3Mozs AgEq: 17.5Mozs Ag, 237Mlbs Pb and 626Mlbs Zn.(1-6) (See News Release dated 03/18/16).

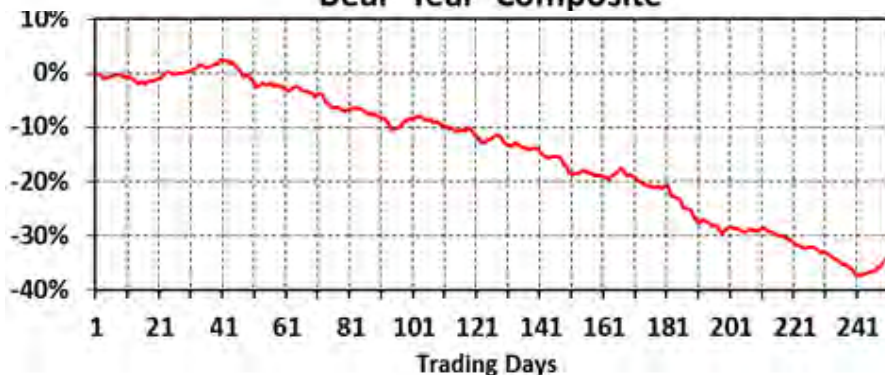
A US\$850,000, 2016 four hole drill program (recently completed) focussed on the expansion of known mineral resources and new discoveries throughout the 13,640ha (130 sq. Km) property. Electrum Global Holdings L.P. headed by Thomas Kaplan, provides stable funding, up to \$5 million over a maximum of 48 months, to advance the project towards development. Currently a surface exploration program on the company's second project, the Oro gold, silver, copper, lead and zinc property in New Mexico is underway consisting of prospecting and trenching to resolve targeting prior to the next phase of drilling this Fall on the Stockpond project. The company has identified a widespread zone of porphyry/skarn alteration and near surface bulk-tonnage gold potential.

SSV: TSX.V | SEG1: FRANKFURT | SSVCL: SANTIAGO | SSVFF: OTCQB

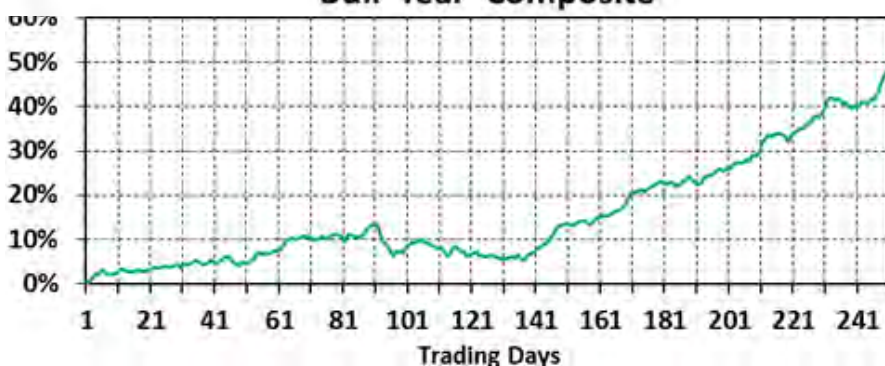
WEBSITE: [www.southernsilverexploration.com](http://www.southernsilverexploration.com)

EMAIL: [ir@mnxltltd.com](mailto:ir@mnxltltd.com)

### TSXV Index Bear Year Composite



### TSXV Index Bull Year Composite



> The composite charts illustrate prominent seasonal trends for the Toronto Venture Exchange Index:

- There is a general rise from early January to early March. It is prominent in bull market years but subdued in bear market years.
- There is a sell-off in early to mid-March.
- In bull years, this is a downward pause and the Index soon continues upward until mid-May. In bear years, the downtick continues with little respite until mid-December.
- There is a pronounced dip in mid-May.
- The market reaches its yearly low between mid-May and late July in bull years. From that juncture, it rises consistently until late November.
- The composite yearly chart shows the summer down time extends into late August and illustrates the worsening performance in bear markets as the year advances.
- For all markets, there is a downtrend from early to mid-December and then a very strong uptick thru year's end.

Now let's explore some factors that account for these well-defined seasonal trends in the Toronto Venture Exchange:

- The early to mid Q1 rise is attributable to recovery from tax-loss selling late in the previous year.
- In addition, many junior companies are raising money for the coming year's activities and promoting at the two largest annual investment conferences for microcap resource stocks.



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- The downtick in mid-March is the so-called “post PDAC curse” that often occurs immediately after the giant mining show in Toronto. Savvy speculators know this is an ideal time to take profits regardless of overall market conditions.
- The mid-May drop is the well-known “sell in May, go away” strategy that foreshadows the summer months when many speculators forego the equity markets for vacations.
- The summer doldrums occur even in bull market years but are over by late July; in bear years, the market malaise is a harbinger of worse times to come.
- In bull years, tax-loss selling first becomes evident with a market downturn in late November and is largely over by mid-December. There is a strong uptick thru the end of the year as bargain hunters pick up oversold but fundamentally-strong stocks.
- In bear years, tax-loss selling is much less a factor; still there is a significant rally from mid-December to year end.

Our research indicates there is a pronounced seasonality in the Toronto Venture Exchange Index over its 14-year history regardless of market conditions. The documented seasonality both reflects and affects the movement of speculative money in and out of this high risk-high reward venture capital market. Speculators, brokers, day traders, equity funds, investment banks, and increasingly, programmed algorithm traders are major participants in the market.

Unlike major North American markets with small, medium, and/or large capital listings, “investment”, i.e., an allocation of capital with expectation of consistent returns, is not a successful strategy for the TSXV.

Venture Exchange equities are strictly speculations and should be bought and sold using discretionary capital. We have shown that they trade in seasonal and cyclical patterns with very high volatility. As such, these stocks are not conducive to buy-and-hold strategies. In fact, they nearly all double

from lows to highs in any given 52-week period. Thus they present periodic entry and exit points that can be exploited for profit.

This is gambling, folks. But like a good card player at the table, it is feasible for a savvy speculator to skew the odds in his favor. I trust we have provided some insight into the timing of this game.

In my opinion, it is best for the lay investor to entertain professional advice when speculating in the junior resource market.

I will provide additional details on short-term trading opportunities as we progress thru 2016, which is shaping up to be a promising bull year for the junior resource sector.

May all your trades be to the upside.

*The Mercenary Geologist Michael S. “Mickey” Fulp is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 35 years experience as an exploration geologist and analyst searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.*

*Mickey worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 years, specializing in geological mapping, property evaluation, and business development.*

*In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.*

*Mickey is well-known and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.*

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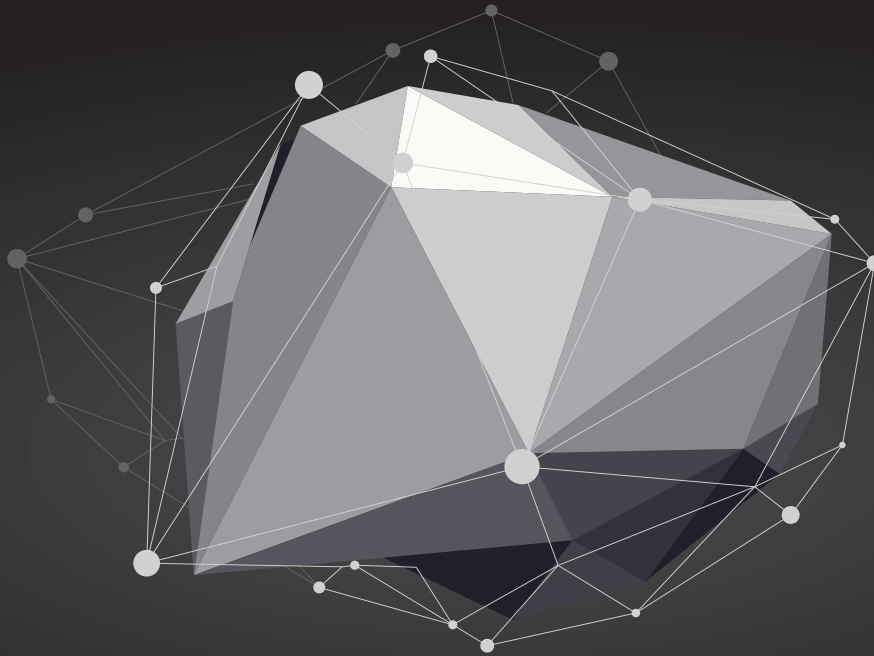
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