GoldNewsletter
Vol. XLIII December 2015 / January 2016

Ending With A Bang

A hesitant Fed finally summons the courage to hike the Fed funds rate from zero to all of 0.25% — supposedly ending its unprecedented accommodation and taking the first step toward "normalcy."

In response, gold immediately surges higher…before giving up all the gains and more as the rate hike filters through credit markets and the dollar bolts upward.

By Brien Lundin

As the most powerful and influential group of 12 people in the world signals the end of an unprecedented era, I can think of only one thing to say.

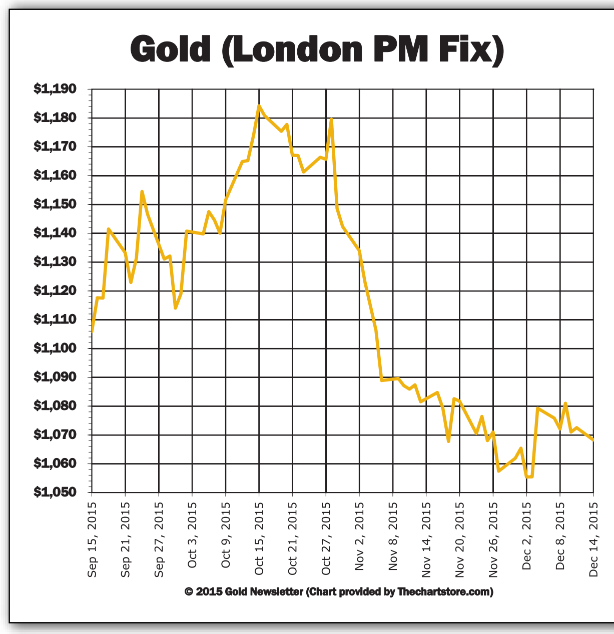
About time.

Don't misunderstand — I'm not talking about the end of the Fed's barrage of extraordinary, never-before-seen, easy-money policies. It's doubtful that we've seen the last of these.

No, I'm talking about the staggering, hesitant, "we-really-mean-it-maybe-next-time" march toward the first tiny step above zero in the Fed funds rate.

Really, it's been agonizing.

In my opinion, the whole ordeal began on September 13, 2012, when the Fed decided to launch QE3 as an open-ended bond-purchasing program. As I've said many times in this letter, the key was that there was no announced end to this bout of quantitative easing.



Thus, the next big news to come from the Fed would be the announcement that QE would end. Or, more practically, that it would be tapered off.

Looking forward to this next announcement, the big bullion banks and theme-driven hedge funds began to lean on the short side of the paper gold market. Then came the taper, first announced in June 2013. And then came the final roll-off of QE at the end of October in 2014.

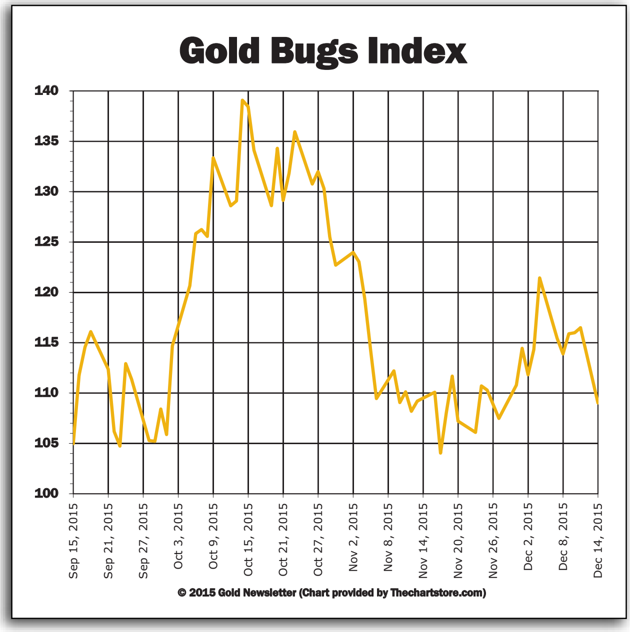
But that didn't end the shorting pressure. No, the big speculators were waiting for the first rate hikes to signal the beginning of the tightening process.

This, I've maintained in a view that has been diametrically opposed to the consensus, would actually be bullish for gold over the long term, by relieving the short-selling overhang on gold.

While we pore over the weekly Commitments of Traders reports from the CFTC, reading the tea leaves to get some idea of the relative positioning of big bullion banks, large commercials, hedge funds and speculators, the

(Continued...)

INSIDE:



fact is that the lines delineating all these categories are blurred.

No matter how you characterize them, there are a lot of deep-pocketed, theme-oriented investors out there who follow momentum trades with longer time horizons. Placing and maintaining big short positions in gold as the Fed pulled off its emergency liquidity policies and staggered toward a tightening trend was a trade that worked over the long-term.

Just a look at the chart of gold since August 2011 shows that clearly.

Would the first Fed rate hike, as small and tentative as it may be, act as a bell that rings at the end of this momentum trade? Would our prediction prove true?

There was an early signs that we might be ….

A Foreshadowing

One of the interesting things about this phenomenon was that, not even a couple of weeks ago, we had a warning shot from the market that this was going to happen.

With the Fed having already alerted the market in late October that they were going to look very closely at hiking rates at their December meeting, everyone from Wall Street to Main Street was eagerly awaiting the November non-farm payrolls report.

That report would have had to be truly dismal to derail the Fed's plans to raise rates. But it was far from it, showing 211,000 jobs having been created in November, nicely beating the consensus expectation of around 200,000.

In addition, the unemployment rate remained steady at 5.0%. All in all, this was more than enough to justify a rate hike at the Fed's December 16 meeting.

Just about every analyst on the planet predicted that gold would fall if/when the Fed announced its initial rate hike, so everyone expected gold to sell-off on such a positive jobs number.

Frankly, despite my predictions that a rate hike would be bullish for gold over the long term, I also expected an immediate drop in gold on a bullish jobs report.

But we got a very pleasant surprise when, after an initial drop of a few dollars, gold quickly leaped $10 higher. From there, the metal began a consistent, stair-step rise that was clearly evident of buy-stops being hit as the shorts ran to cover.

The short-covering phenomenon we had predicted was unfolding…but far more quickly than we had imagined. Gold ended up about $24 higher, for a truly stunning advance considering the supposed headwinds.

The bottom line is that the thesis we had been operating under — that a Fed rate hike would end the longstanding short bias in the gold market — had been validated, at least for a day. And as the days grew short before the Fed's big decision, a number of respected analysts joined in our view.

Then came the announcement….

The Big Move

On Wednesday, in advance of the Fed's announcement, gold was particularly strong. After having weakened a bit on Monday and Tuesday to around $1,060, gold gained about $15 in the hours before the big news.

This seemed to be further confirmation of our thesis.

And then the big news: The Fed announced its initial 0.25% hike in the Fed funds rate.

Importantly, the accompanying policy statement noted that "The Committee expects that economic conditions will evolve in a manner that will warrant only gradual increases in the federal funds rate; the federal funds rate is likely to remain, for some time, below levels that are expected to prevail in the longer run."

They used the word "gradual" one other time in the statement in reference to further rate hikes, which most pundits saw as an unusual emphasis on the point.

So, a bit of sugar to go with the medicine.

The reaction in gold was initially encouraging. From its high around $15 higher, or about $1,075, the price quickly sold down to around $1,065 (representing a $5.00 gain), immediately rebounded to near its highs for the day, and then seemed to settle in the $1,070-$1,075 range.

All said, a very good performance for the metal in light of the circumstances. A few months ago, who would've expected gold to rally on the Fed's first rate hike?

Unfortunately, it was all for naught…at least for now…as the yellow metal sold off the very next day, losing over $20 as we finalize this issue. Apparently as the rate hike filtered through the credit markets, it launched the dollar higher against its trade partners, and speculators jumped on the chance to add to their gold shorts.

It remains to be seen whether the longer-term trend will validate our thesis, but I'm hopeful. Because, as you're about to see, there are a number of other factors now working in gold's favor.

The Bigger Picture Going Forward

The calming words in the Fed's policy statement were appropriate, as economic data has been mixed lately, even a bit negative. Given the seven-year length of this tepid recovery, we're actually well overdue for a recession.

It's a pretty popular opinion that the Fed is late to the party on this rate hike, and should have begun its tightening about 18 months or so ago, the better to gain some cushion to allow it to lower rates in the next economic downturn.

I'm in full agreement with this view. In fact, I think that at some point over the next few months, the big question will not be whether the Fed will raise rates at their next meeting…but whether they'll lower them.

Interestingly, Ben Bernanke recently noted that negative rates would be a viable tool in the Fed's toolbox going forward. He had actually considered this option during the depths of the Great Recession, but he and the rest of the FOMC had thought it too risky for a number of reasons.

With negative rates being implemented by the ECB, the Swiss National Bank and the central banks of Sweden and Denmark in the meantime without any resulting financial turmoil or major issues, Bernanke now feels that "…negative rates are something the Fed will and probably should consider if the situation arises."

Zero-bound no more.

Putting aside the strangeness of the world we now live in and the implications that negative rates would have for saving, investing and the economy at large, the important point for us is that there is now no limit — practically or philosophically — for the Fed in expanding money and debt.

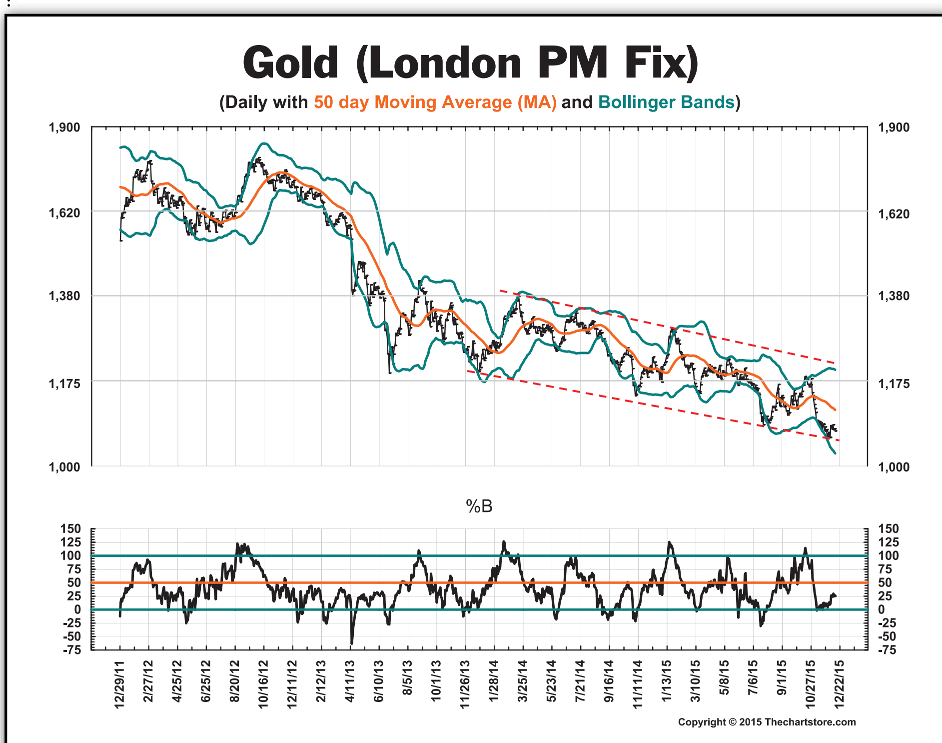
And that is wildly bullish for gold.

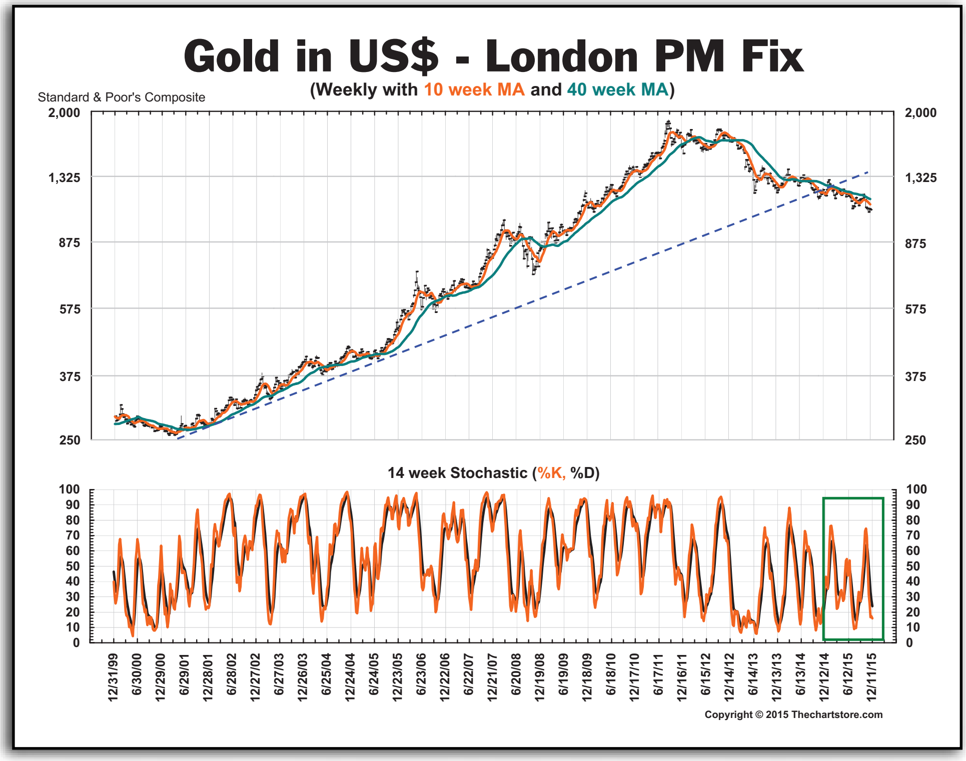
If/when the U.S. slips into the next recession…or even at the first signs of economic weakness…investors will no longer view the Fed as being restrained by zero rates.

In fact, the market will begin to doubt that "normal" monetary policy is any longer possible. And even mainstream investors will realize what we've known for some time — that the enormous levels of debt in global economies necessitate massive currency creation to depreciate the debts away.

Over the long term, this is the reason why much higher gold prices are virtually assured.

(Continued...)





Other Bullish Factors In The Near Term

This big picture turn for gold is perfectly timed. Because, as I've noted in my recent Alerts, there are two other factors working in gold's favor right now.

1) Seasonality. Gold is historically strong early in a new year. Over the last two years in particular, the metal has fallen into December, and then posted powerful rallies as the calendar turned.

Last year, gold jumped from below $1,200 to just over $1,300 in January alone. The year previous, the metal added about $200 from the December lows to the March highs.

A similar performance this year would undoubtedly result in some high-quality gold juniors more than doubling in value.

2) The "paper gold" market is set up for a major rally. The cycle has turned in the gold futures markets, with the large speculators now short to the greatest degree since the 1999 turn in the market… while the large commercials are near historically low short levels.

The commercial category of traders include not only the jewelers and others that hedge in the market as part of their ongoing businesses, but also the big bullion banks who actively trade and move the market in their interests.

As you know, the commercials have repeatedly led the speculators to slaughter, building up positions in opposition to the cyclical ebb and flow of the speculators' sentiment.

In October, as the specs got massively long, the commercials got similarly short and then triggered the fall in gold and collected their winnings.

Now they've set the market up for a move in the other direction, with the commercials buying long contracts hand over fist while the speculators have been loading up on shorts. The result is that, with the speculators now massively short, the commercials now have their second smallest short position since 2001.

So in addition to the ending of the long-playing short-gold momentum trade, there's plenty of short-covering fuel in the more-transparent Comex paper gold market.

So if this plays out to be a major shift in gold-market sentiment as we expect (hope), then gold could go a good way higher from here.

The technicals also argue that a shift is at hand.

An Improving Technical Picture

As you can see from our accompanying charts, courtesy of Ron Griess at TheChartStore.com, the short-term technicals are indicating that the correction phase is ending, and a new rally may be in its earliest stages.

Our chart of gold with its 50-day moving average and associated Bollinger Bands, for example, show that the price is now rising off of the bottom band. Usually, as the chart shows, this indicates at least a short-term to intermediate rise in the gold price.

Similarly, our other chart shows that gold's 14-week stochastic seems to be bottoming, which has also often presaged a upward turn in the market of varying degree and duration.

These shorter-term technical indicators bolster our case, but it is the longer-term view that seems more assured and, frankly, exciting.

That's because it is difficult to argue that we are not at a long-term bottom in gold. There's really no telling whether we're at the beginning, the middle or the end of the bottoming formation, but these markets inevitably turn.

But there are other signs of a bottom, one of which was last week's announcement that mining giant Anglo American was cutting 85,000 jobs worldwide, suspending its dividend and planning to sell 60% of its mines in a move that even the company admitted was "radical."

I've been pretty vocal that looking for signs of capitulation in the junior mining stocks is a waste of time, as these markets are completely dependent upon the direction of metals prices. Until the metals start a consistent uptrend, these juniors aren't going anywhere. Conversely, once the metals start a new bull trend, investor sentiment is going to turn on a dime and the juniors are going to take off like rockets.

But when majors like Anglo are so desperately trying to steer off the rocks, it's definitely a sign of a bottom. That's because they're abandoning projects, closing mines and choking off supplies of metal to the markets.

Yes, the cure for low prices is low prices. And now the medicine's taking effect.

What To Do Now...

If you're asking what you need to do now, the answer is simple: more of the same.

I've been recommending for months now that investors accumulate junior resource stocks with large-scale, proven resources while they're now trading at levels that were more common for grassroots exploration stocks in better markets.

With few exceptions, there's little reason to accept exploration risk when you can buy real assets so cheaply.

In addition, short-term factors — particularly seasonality, with tax-loss selling driving prices down and the typical strong season for metals approaching — mean that the next couple of weeks are a very attractive window of opportunity.

You'll find a number of top companies in our Gold Newsletter portfolio, as well as in the following review.

Before we begin, allow me a different sort of a recommendation: our audio/video recordings of New Orleans 2015.

During our conferences, I'm usually bouncing around, talking to attendees, speakers and exhibitors, and generally trying to look busy while our outstanding staff keeps everything running like a top. The point is, I miss most of our speakers' presentations.

So after the event, particularly when I'm reading the transcript, I get to really soak it all in. And I'm amazed, every year, and the incredible value this event represents.

Abandoning modesty a bit more, I have to say that this year's event stands out as one of our very best in terms of the insightful — and very specific — investment intelligence presented.

I have little doubt that the best investment you'll make all year is the relatively small amount you'll spend to get our A/V recordings, including the transcript of every General Session presentation. Believe me, you'll be amazed.

All of our recordings are available now, including our convenient and affordable online streaming option. To learn more, click here.

Mining Share Update

By Brien Lundin

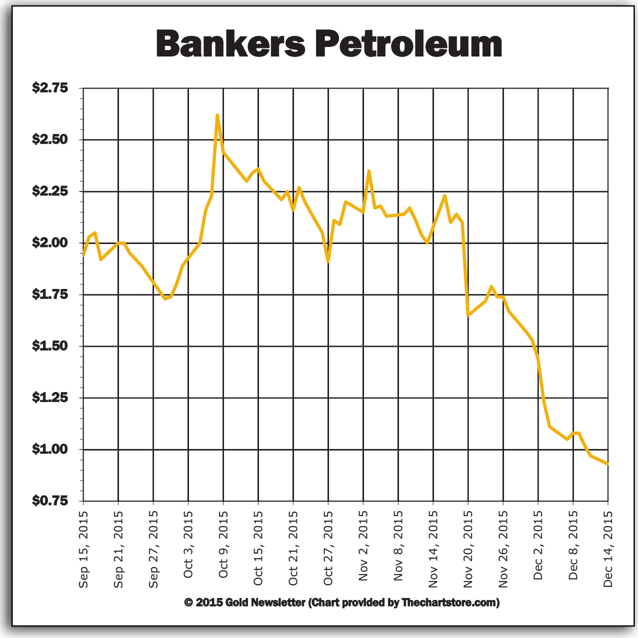
Avrupa Minerals

AVU.V; AVPMF.PK
888-889-4874
avrupaminerals.com

Avrupa Minerals provided the market with updates recently on its Slivovo gold project in Kosovo and its Alvito project in southern Portugal.

At Slivovo, the company and its JV partner Byrnecut International announced final results from Phase III drilling on the project. With drilling now complete and Byrnecut having spent the € 2 million it needs to

(Continued...)



earn a 75% interest the project, the companies are focused on developing a resource estimate for the Peshter Gossan project at Slivovo.

Highlights from the latest holes assayed at Peshter Gossan indicate this drilling will add significantly to the gold total for the initial resource estimate. Hole 37 intersected 74 meters of 6.02 g/t gold and 20.23 g/t silver. Hole 38 cut 25 meters of 2.06 g/t gold and 9.85 g/t silver. And Hole 43 hit a 14-meter interval grading 11.11 g/t gold and 27.68 g/t silver.

These are wide intersections of high-grade gold. Hole 43 is significant, as it managed to extend the Main Gossan zone both eastward and downwards. Other holes helped the companies better understand the underlying geology in the area around the deposit, and give the JV partners hope that they can identify another northeast-trending boundary fault at Peshter. This will be crucial because Peshter, while high grade, appears to offer limited size potential.

With a resource estimate on the way and highly prospective nearby targets, Slivovo has become Avrupa's flagship project. But, as a prospect generator, Slivovo is by no means the only project in the company's portfolio.

At the Alvito project, the company recently announced the decision of **Lowell Copper** (JDL.V; C$0.20) to terminate its option on the project. Lowell intends to focus its efforts on its Warintza project in Ecuador.

That said, the money Lowell contributed during the short time it worked on Alvito revealed some intriguing results for the Alcacovas IOCG target within the project. In the third quarter, the partners plied the target area with mapping, soil sampling and subsurface rock sampling.

A portable drill was used to conduct the rock sampling. In all, Avrupa drilled 356 meters in eight targets at Alcacovas. Twenty-two of the 29 holes drilled intersected copper mineralization. Highlights included 10.5 meters of 0.43% copper (Hole 23) and 5.5 meters of 0.49% copper (Hole 28).

Management plans to conduct more short-hole drilling on the project and to use the data collected from this effort to market Alvito to other potential JV partners. It's a strategy that has allowed the company to develop several projects of merit while maintaining a tight share structure.

Given Avrupa's prior success at finding JV partners for its projects, I am confident it will find a replacement for Lowell Copper at Alvito. With Slivovo continuing to provide headline news for the company, I like Avrupa's prospects in the long term. Near current levels, it remains a buy.

Avrupa Minerals Ltd.

Recent Share Price:..........C$0.08
Shares Outstanding: .55.5 million
Market Cap: ....C$4.4 million
Shares Outstanding
Fully Diluted:...........96.2 million
Market Cap
Fully Diluted: ....C$7.7 million

Bankers Petroleum

BNK.TO; BNKJF.PK
888-797-7170
bankerspetroluem.com

An ongoing tax dispute with the Albanian government appeared to reach a temporary resolution earlier this month, after a series of maneuvers on both sides.

The dispute involves $75 million in back taxes, interest and penalties that the Albanian government claims Bankers owes going back to 2011. The parties had previously agreed to have the dispute resolved by a third-party international audit process.

However, as of November 19, the Albanian government froze Bankers' use of its Albanian bank accounts. While the company does not have a significant amount of money in those accounts, it does use them to pay local contractors and taxes.

As a first response, the company applied for an injunction through the International Chamber of Commerce ("ICC") to provide protection against enforcement of the tax assessment until the third-party audit has been completed. While

Bankers soon received that injunction, the Albanian government was slow to comply.

In the interim, the freeze on the company's bank accounts was beginning to hamstring its ability to operate in the country. Facing the possibility of having to curtail operations significantly, Bankers reached an agreement with the government to pay 10% of the $57 million tax assessment this month and $4.275 million each month in 2016 until the $57 assessment (not including taxes and penalties) is paid up. The company may end up recouping some of this money, as the parties continue to move through the international audit process.

In other news, Bankers has completed a successful bid on the Block P operating licenses in Hungary's Pannonian Basin. The company will act as operator of the licenses and will spend € 12.3 million to explore their 878 square kilometers. The license contains the abandoned Biharnagybajom oilfield and other prospects identified by 2D and 3D seismic.

The company paid a € 2 million signing bonus to take its 85% working interest in the concession. By fall of 2016, its joint venture with a Hungarian company will spend € 3.5-4 million on seismic. It will spend the remainder on exploration in 2017 and beyond.

The addition of these Hungarian licenses adds some blue sky to Bankers' ongoing oil production story at Patos-Marinza. Although the recent agreement with the Albanian government doesn't appear to be in its favor, it's in the long-term interest of both parties to find a fair resolution to the tax dispute.

In the interim, Bankers will be able to proceed with production on its flagship asset and to move forward with exploration on its Hungarian assets. Obviously, this is not a great environment for oil plays. But the cycle will turn again for oil and gas prices, and Banker's will be a highly leveraged way to play that turn when it comes.

It's a hold for now.

Bankers Petroleum Ltd.

Recent Share Price:..........C$0.90
Shares Outstanding:261.0 million
Market Cap:.......C$234.9 million
Shares Outstanding
Fully Diluted:.........279.0 million
Market Cap
Fully Diluted: ....C$251.1 million

Endeavour Mining

EDV.TO; EDVMD.PK
604-685-4554
endeavourmining.com

Endeavour Mining has had a busy fourth quarter, completing its deal with La Mancha Holding, instituting a 10-for-1 share consolidation, delisting from the Australian Stock Exchange, and announcing its third quarter financials.

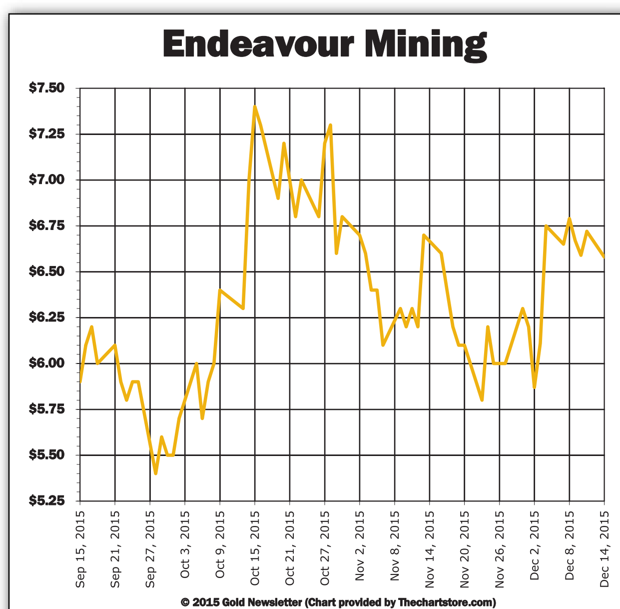
Initially announced in September, the La Mancha deal was completed in late November. Under the terms of the deal, the privately-held company was issued 177,061,572 new shares (or 17,706,157 shares on a post-consolidation basis) of Endeavour and, in turn, injected $63 million in cash into the company. The deal came with a 55% interest in the Ity gold mine in Cote d'Ivoire, and with its addition, Endeavour now boasts an annual gold production rate of 580,000 ounces.

The deal was not without cost for existing Endeavour shareholders. The transaction came in conjunction with a 10-to-1 share consolidation for Endeavour. While painful, that move should provide the company's share price more leverage potential in the rising gold price market I see coming in 2016.

Another cost of the transaction was delisting on the ASX, which was necessitated by the 30% interest in Endeavour's share capital that La Mancha has taken in the company. The company continues to trade on the Toronto Stock Exchange.

Post-transaction, the company has proven and probable reserves of 4.8 million ounces and attributable measured and indicated resources of 8.5 million ounces. It is preparing its Hounde project for a construction deci-

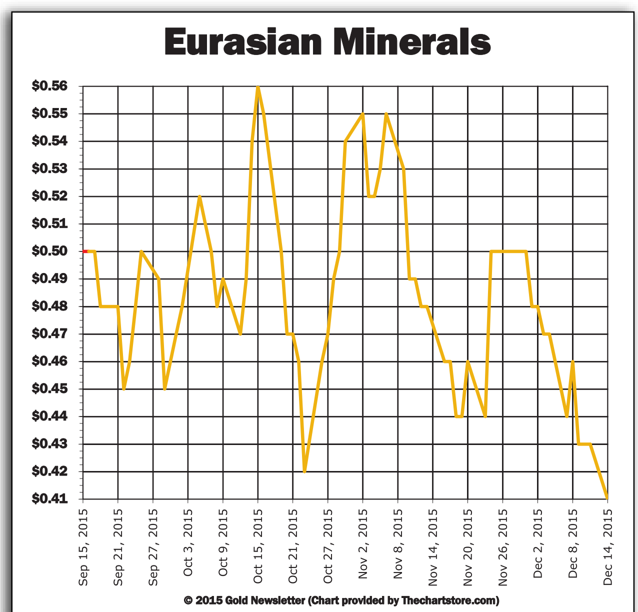
(Continued...)



sion in early 2016 and will complete a feasibility study on the Ity carbon-in-leach project.

In the midst of all this activity, Endeavour released its Q3 2015 production and financial numbers. The company generated 124,893 ounces of gold at an all-in sustaining margin of $26.1 million. The company has generated 379,802 ounces of gold at an AISC of $917/ounce in the first three quarters of 2015.

For the nine months ended September 30, 2015, Endeavour has generated $444.5 million in revenue and $72.5 million in free cash flow, before taxes and financing costs. It made $45.1 million in net earnings during that period.



The deal with La Mancha gives the company both a significant cash cushion and additional production capacity. With two projects in the pipeline for addition production in the near future, Endeavour looks primed to grow both internally and through acquisitions in the months ahead.

Again, the share consolidation has obviously dealt a blow to existing shareholders. But if the market turns around as I expect in 2016, we should enjoy outsized gains from established producers like Endeavour. It's still a hold, while we wait to see how the market evolves in the first quarter of the New Year.

Endeavour Mining Corp.

Recent Share Price:..........C$6.63
Shares Outstanding:.59.0 million
Market Cap:.......C$391.2 million
Shares Outstanding
Fully Diluted:...........61.6 million
Market Cap
Fully Diluted: ....C$408.4 million

Eurasian Minerals

EMXX.NYSE-A; EMX.TO
604-688-6390
eurasianminerals.com

Three recent updates from Eurasian Minerals typify the news flow from this world-class prospect generator.

Eurasian's property portfolio truly spans the globe, a fact proven by announcements in the past month about projects in Turkey, Arizona and eastern Russia.

In Turkey, the company has chosen to option a 100% interest in its Alankoy copper-gold property to Black Sea Copper & Gold, a privately-held British Columbia company. Under the terms of the deal, Eurasian will retain a 3% production royalty on any gold, silver and other precious metals mined on the project and a 2% royalty on any other minerals.

Black Sea has agreed to pay $25,000 to EMX upon signing the agreement and to spend at least $75,000 on the property by June 1, 2016. Further, it will conduct 1,500 meters of drilling by the one year anniversary of the deal's commencement date and spend $200,000 by that time.

It must spend an aggregate of $3 million on exploration at Alankoy by the end of the sixth year from the commencement date. The deal also includes the deliveries of relatively small amounts of gold bullion. I refer you to the company's website for details.

Located in Turkey's Biga Peninsula, Alankoy is situated among a number of advanced-stage exploration projects and recent discoveries. Past work in the 1980s included Hole 10, which had overlapping intercepts of 22 meters of 0.25% copper and 55.5 meters of 0.14 g/t gold.

Moving west to Arizona, we find Eurasian optioning off its Hardshell Skarn copper-gold project to a subsidiary of **Arizona Mining** (AZ.TO; C$0.29). The copper project lies 75 kilometers southeast of Tucson, Arizona and is adjacent to the acquiring company's Hermosa project.

Arizona Mining's subsidiary can take a 100% interest in the project by paying $85,000 to Eurasian, which will retain a 2% net smelter royalty on the project and will receive annual advanced royalty payments on the property of $5,000 per year. Arizona Mining will likely incorporate Hardshell Skarn into its exploration plan for Hermosa.

Finally, in eastern Russia, IG Copper, in which Eurasian Minerals holds a 42.2% interest, has received an additional license for its Malmyzh copper-gold porphyry project. The licenses are held 51% by IGC and 49% by Freeport McMoran Exploration, with IGC acting as operator.

The addition of the new licenses gives the JV partners a 226.9-square-kilometer stake in the Malmyzh district, which already hosts four inferred resources. The combined resources of the Valley, Freedom (SE), Central and Flats deposits comprise 1.66 billion tonnes of 0.34% copper and 0.17 g/t gold (12.45 billion pounds of copper and 9.11 million ounces of gold). The next step is to secure the project approvals needed for the "advanced exploration and mining phase" of Malmyzh.

As you can see, Eurasian has no shortage of irons in the fire. These three projects are just a handful of a multitude that the company holds in various parts of the globe. Like a good prospect generator, it options out the heavy lifting of exploration to its JV partners, retaining royalty interests that have chance to be highly lucrative — for the company and its shareholders — down the line.

Few companies on our list are as well positioned for the long haul as Eurasian Minerals. For those looking for a great long-term bet on commodities of all stripes, this company is a buy.

Eurasian Minerals Inc.

Recent Share Price: ....US$0.38
Shares Outstanding: .73.5 million
Market Cap: ......US$27.9 million
Shares Outstanding
Fully Diluted:...........79.2 million
Market Cap
Fully Diluted.....US$30.1 million

Millrock Resources

MRO.V; MLRKF.PK
877-217-8978
millrockresources.com

Millrock Resources has been busy, to say the least. Over just the last month, the company announced drill results from one of its Alaskan properties, added to its Mexican holdings through claims-staking and an acquisition, topped off its treasury with a financing and expanded in a major way into the "Golden Triangle" are northeast of Stewart, British Columbia.

The new properties in the Golden Triangle may be the most significant new development. Totaling 60 square kilometers in one of the most highly prospective territories around, the acquisition results in the formation of three new projects.

And it wasn't easy to accomplish. It required Millrock management, led by president and CEO Greg Beischer, completing eight different agreements with six separate parties. Simultaneously.

The Todd Creek project lies hard against the southern boundary of the claim block covering the ultra-high-grade Brucejack property of Pretium Resources. The Poly project lies 10 kilometers south of Todd Creek. And the Oweegee Dome project adjoins the eastern boundaries of both the Brucejack property and the KSM property of Seabridge Gold.

As I noted, the Golden Triangle is the right neighborhood for world-class gold and polymetallic exploration. And in that neighborhood, Millrock has landed three separate projects thanks to a Herculean geological and corporate effort.

As a shareholder of many years, I'm very interested to see what develops here.

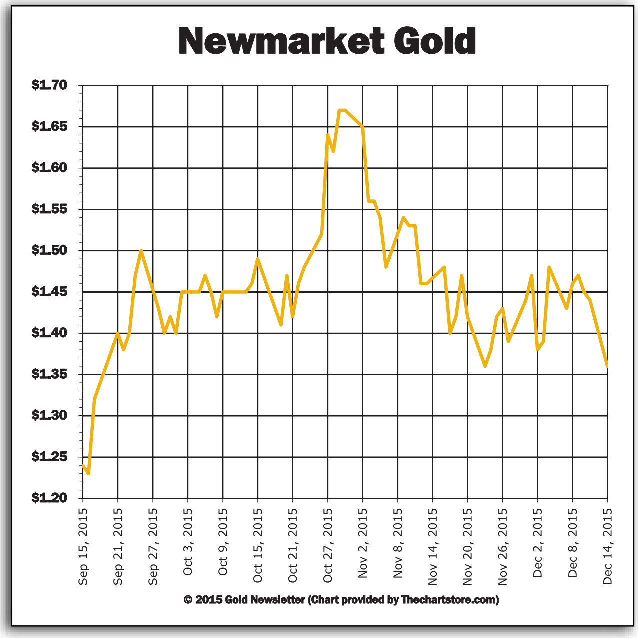
Elsewhere, on the Alaska Peninsula copper project, the company's JV partner First Quantum Minerals drilled two holes on the Dry Creek prospect. Both holes tested a chargeability anomaly identified on Dry Creek. And while the mineralization encountered was minimal, this project as a whole remains highly prospective for porphyry-style copper-gold deposits. I expect to see more work on this project in 2016, as First Quantum continues to earn its 80% interest.

Meanwhile, Millrock has used the geological database it acquired in 2014 from Paget Southern Resources to stake claims to five targets in Sonora State, Mexico. The targets include El Toro, El Pima, Shelly RM, El Valle and Karen. All are prospective for gold, with some exhibiting silver and base metal mineralization as well.

Per the prospect generator model it follows, Millrock plans to explore these properties further and to find JV partners to do the heavy financial lifting of more-advanced exploration work.

(Continued...)

"As I noted, the Golden Triangle is the right neighborhood for world-class gold and polymetallic exploration. And in that neighborhood."



Elsewhere, the company has purchased the Batamote copper project from Minera Teck, a subsidiary of Teck Resources. The 5,796-hectare project consists of three mining concessions located between Grupo Mexico's La Caridad and Cananea mines.

Batamote is overlain by a 3-by-6 kilometer zone of alteration, which has yielded copper values as high as 0.26% copper over 126 meters. The acquisition complements Rio Sonora and Los Cuarentas, two claims that Millrock recently acquired in the area.

Millrock is getting Batamote by issuing 109,890 shares of Millrock to Teck, which will retain a 0.5% NSR in any metal eventually mined on the project. As with its newly staked gold claims, the company will likely seek a JV partner to help advance this acquisition.

Finally, management filled the company coffers recently with a C$1.33 million private placement. The non-brokered deal raised the money by issuing 8,321,509 units at C$0.16 per unit. Each unit consisted of one common share and one warrant, redeemable until December 10, 2016 at C$0.22 a share; until December 10, 2017 at C$0.30 a share; and until December 10, 2019 at C$0.40 a share.

Given the low cash burn rate Millrock maintains, these funds should be sufficient for the company to continue pursuing its prospect generator mode of operation. Companies of this type are staples of our list because they weather downturns in the market well and can provide significant leverage when the market turns around. It's a buy at current levels.

Millrock Resources Inc.

Recent Share Price: ....C$0.18
Shares Outstanding: 19.8 million
Market Cap:..........C$3.6 million
Shares Outstanding
Fully Diluted: ....33.9 million
Market Cap
Fully Diluted: ....C$6.1 million

Newmarket Gold

NMI.TO; NMKTF.PK
416-847-1847
newmarketgoldinc.com

I added Newmarket Gold to our list recently because its operating mines in Australia made it a good fit for our investment thesis of buying producing assets at bargain basement prices.

Given that the current market allows us to buy producers like Newmarket at prices formerly afforded to exploration-stage companies, this thesis lets us participate in the upside of a reinvigorated gold market, while protecting our downside.

The company's projects had been laggards in terms of cost containment, but Newmarket's management team has gotten those cost under control. Moreover, it has identified projects that can help it increase the mill feed at its Union Reefs mill in Australia's Northern Territory. The mill currently has 1.2 million tonnes of excess capacity.

One of those projects is the Esmeralda gold deposit, which lies just seven kilometers away from Union Reefs. Previous work at Esmeralda has identified a 70,300-ounce inferred gold resource (1.06 million tonnes of 2.06 g/t gold). While that's not a huge resource, that fact that it's open-pittable makes it a potentially lucrative source of ore for the Union Reef mill.

Newmarket is embarking on a 5,200-meter RC drilling program to expand and upgrade the resource at Esmeralda. In addition, the company will ply the deposit with seven diamond drill holes to provide geotechnical and metallurgical data.

Meanwhile, a preliminary economic assessment is ongoing at the Maud Creek gold deposit, which lies 108 kilometers south of Union Reefs. Maud Creek is home to an indicated resource of 871,000 ounces of gold (7.7 million tonnes of 3.50 g/t gold) and an inferred resource of 343,600 gold ounces (4.2 million tonnes of 2.50 g/t gold).

In a recent update on the PEA, the company said the study was progressing well and should be complete some time in Q1 2016. Again, this could be another source of mill feed for the nearby processing plant.

Combined with steady improvements in the all-in sustaining costs at its main operating mines, the possibility that these projects will come online in the next year or two bodes well for Newmarket's ability to deliver for shareholders.

If the gold market overall can find its sea legs again, companies like Newmarket Gold are set up to attract serious investor attention. Well-managed and headed in the right direction, this company continues to be a buy.

Newmarket Gold Inc.

Recent Share Price:................C$1.37
Shares Outstanding:.....135.9 million
Market Cap: ....C$186.2 million
Shares Outstanding
Fully Diluted................190.2 million
Market Cap
Fully Diluted:..........C$260.6 million

Pershing Gold

PGLC.Nasdaq
720-974-7254
pershinggold.com

With an aggressive drilling program just completed, a fully-permitted processing facility and a project located in one of the world premiere gold mining districts, Pershing Gold is well-positioned for growth in the months ahead.

The company's Relief Canyon project in northwest Nevada is rapidly advancing toward commercial production. The mine already has a known resource of 739,000 measured and indicated ounces and 70,000 inferred ounces.

And the aforementioned drilling program continues to suggest that Pershing will add significantly to Relief Canyon's gold hoard when it releases an updated resource estimate and preliminary economic assessment on the project in Q2 2016.

The 2015 program was just completed and, due to its success, was expanded from 70,000 feet in 100 holes to 160 development holes, seven metallurgical holes and 10 exploration holes in 105,000 feet of drilling. The program cost approximately $5 million in total.

Among the key successes from the program, Pershing was able to discover a new mineralized block in the Southwest Target area that brought mineralization from 100 feet to 250 feet closer to surface than previously thought. Highlights from this area included Hole 429, with 5.7 meters of 5.921 g/t gold.

In addition, drilling focused on expanding the L and J zones in the North Target area was successful. Highlights such as Hole 405 (0.7 meters of 9.337 g/t), Hole 419 (6.3 meters of 2.098 g/t) and Hole 421 (10.3 meters of 3.716 g/t) expanded the deposit eastward toward the surface in the Jasperoid Target area.

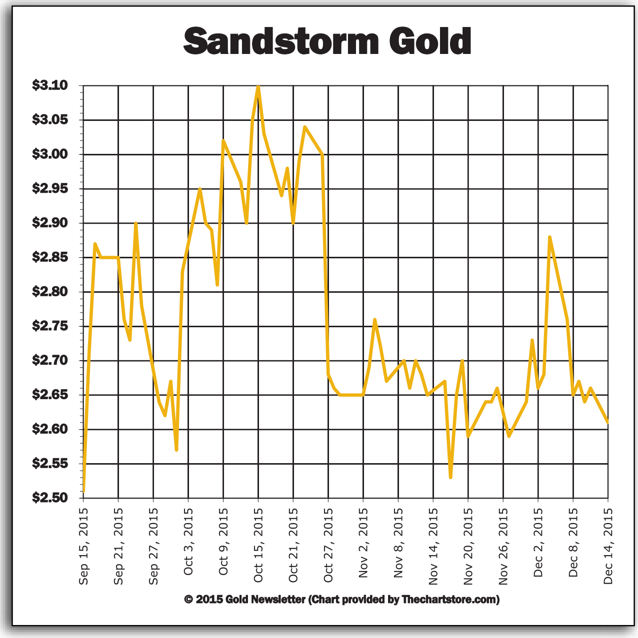
Management believes these types of results bode well for the economics of the PEA for Relief Canyon. The company recently released some preliminary economics of the project that are quite encouraging.

Assuming prices of $1,100 an ounce of gold and $14.25 an ounce of silver, Pershing Gold projects Relief Canyon will have an initial capex of just $11 million with all-in sustaining costs of between $725-$775/ounce over an estimated six-year mine life.

We'll know more when the full PEA is released in Q2 2016, but those low capex and AISC figures show you why I'm so enthused about this company's prospects. Not only can it move into production with very little cash, but it will be able to do so at operating costs that ensure it can produce profitably, even in the current market environment.

With a substantial and growing resource at Relief Canyon and a fully-permitted processing plant already in place, it won't take much for management to greenlight this project. In fact, the company has the luxury of being able to wait until the gold market rebounds so some extent before launching production,

(Continued...)



while building the resource and mine life in the meantime.

Pershing Gold perfectly fits our theme of world-class resources at bargain-basement prices. Thus, it remains a strong buy on our list.

Pershing Gold Corp.

Recent Share Price:........US$3.51
Shares Outstanding:..21.7 million
Market Cap:.......US$76.2 million
Shares Outstanding
Fully Diluted: ....29.2 million
Market Cap
Fully Diluted ...US$102.5 million

Sandstorm Gold

SAND.NYSE-A; SSL.TO
866-584-0234
sandstormgold.com

Sandstorm Gold announced its Q3 2015 results in mid-November. On balance, they were quite good.

Long-time readers of this missive are familiar with the Sandstorm story. The company provides financing to advanced-stage development projects and producing mines in exchange for the right to buy gold from those companies at a heavily discounted price.

These gold streams have allowed the company to generate significant cash flow, even during the current downturn in gold prices.

For example, in the most recent quarter, the company had 10,834 attributable ounces of gold sold at an average cash cost of $307 per ounce. That low cash cost, a product of the gold streams, translated into $809 per ounce of cash operating margin and operating cash flow of $8.2 million.

While the company did sustain a net loss of $5.5 million for the quarter, that amount included a $4.4 million non-cash loss due to a revaluation of the company's investments.

Indeed the loss was no impediment to the company, which remained aggressive on the deal-making front in October. Late that month, Sandstorm added commodity streams from up to five mining projects from Yamana Gold.

The company paid $152 million in cash and 15 million in warrants in exchange for the streams, which will include multi-asset silver streams from Yamana's Chapada, Minera Florida and Cerro Morro projects. The deal also includes a copper stream from Chapada and an early deposit gold stream from Yamana's Agua Rica project.

To finance the deal, Sandstorm fully drew down on its $110 million revolving credit agreement. It then completed an equity financing of $28.8 million, the majority of which the company used to reduce its credit facility balance.

Said Sandstorm president and CEO Nolan Watson of the deal: "With the recent stream acquisition with Yamana, the company's growth profile is expected to increase by up to 55% over the next four years."

That level of growth, if the metals markets cooperate, could make for a blockbuster stock over the next two or three years. Time will tell, of course, but Sandstorm has the business model and the projects to do extremely well when the gold bull market resumes. It remains a strong hold on our list.

Sandstorm Gold Ltd.

Recent Share Price:.......US$2.67
Shares Outstanding:128.3 million
Market Cap:....US$342.6 million
Shares Outstanding
Fully Diluted: ....128.9 million
Market Cap
Fully Diluted: .US$344.2 million

Silvercorp Metals

SVM.TO; SVMLF.PK
888-224-1881
silvercorpmetals.com

Shortly after we published last month's newsletter, Silvercorp released its Q2 2016 operational and financial numbers.

As one would expect, given the current state of the metals markets, both the financial and the operating numbers were down from the same quarter last year.

Sales in Q2 2016 were $27.2 million compared to $37.3 million in Q2 2015. This flowed through the income statement to a net income attributable to shareholders of $2.2 million. This was also a sharp decrease from the $7.2 million in net income the company generated in Q2 2015.

These numbers were based on silver sales of 1.3 million ounces, lead sales of 13.2 million pounds and zinc sales of 4.6 million pounds. These totals represented 7%, 7% and 11% decreases, respectively, from Q2 2015.

In part, those decreases reflected a conscious decision to hold back a significant amount of concentrate in inventory during the most recent quarter. Silver-lead concentrate spiked from 430 tonnes in Q2 2015 to 2,228 tonnes in Q2 2016. This move was a deliberate effort to hold some material in abeyance in the hope of an improvement in metals prices.

The company's cash costs from its Ying Mining Complex in China's Henan Province were $1.52 per ounce, net of by-product credits. This compared to cash costs of negative $0.98 in Q2 2015. AISC per ounce of silver were $12.40, net of by-product credits, in Q2 2016. This was a substantial increase from the $9.68 AISC Ying generated in Q2 2015.

The numbers reflect the muted state of the metals markets. I think Ying and Silvercorp have an excellent chance to bounce back strongly with a little help from metals prices. The company continues to expand its core mines through exploration at Ying.

With tens of thousands of meters of drilling already conducted in the first nine months of 2015, the company shouldn't lack for new sources of ore to feed the market, once it turns around. Given this innate leverage, Silvercorp continues to be attractively priced at current levels and is still a buy.

Silvercorp Metals Inc.

Recent Share Price:..........C$0.71
Shares Outstanding:170.9 million
Market Cap:.......C$121.3 million
Shares Outstanding
Fully Diluted:.........177.2 million
Market Cap
Fully Diluted: ....C$125.8 million

Brief Notes...

• **Almaden Minerals** (AAU.NYSE-A; AMM.TO; US$0.57) has released a revised preliminary economic assessment on Ixtaca, the company's flagship gold-silver project in Mexico.

The new PEA incorporates the capital savings from the company's recently announced option to purchase the Rock Creek mill. It also applies an alternate mine plan that focuses on developing the near-surface, limestone hosted portions of the deposit.

With these two changes, the PEA projects an initial capex of $100.2 million and an after-tax payback of 2.6 years. The post-tax NPV (discounted at 5%) is $166 million with a 30% IRR. These economics assume base case metals prices of $1,150/ounce for gold and $16/ounce for silver. The "smaller footprint" scenario still leaves open the possibility of expansion to the more robust production scenarios envisioned in Almaden's previous PEAs on the project.

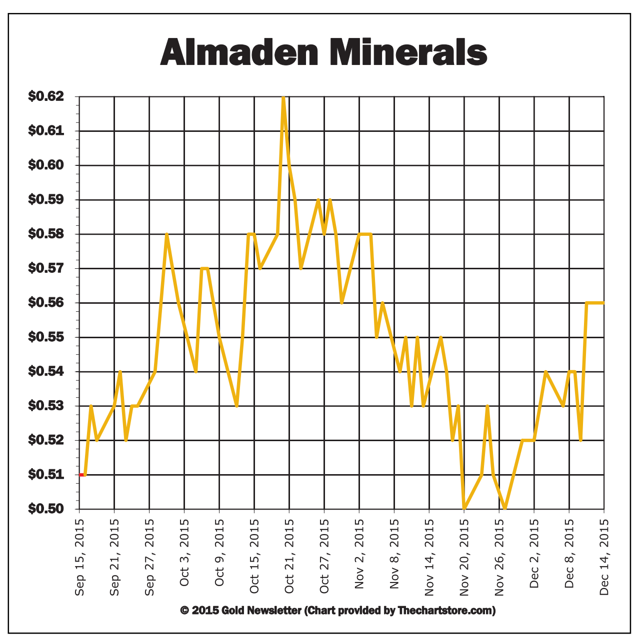
As it moves forward with this scaled-down plan for Ixtaca, the company has raised $3,380,000 through the placement of 4,506,666 units priced at C$0.75 per unit. Each unit consists of one common share and one half-warrant, redeemable on a whole warrant basis for C$1.00 for up to two years.

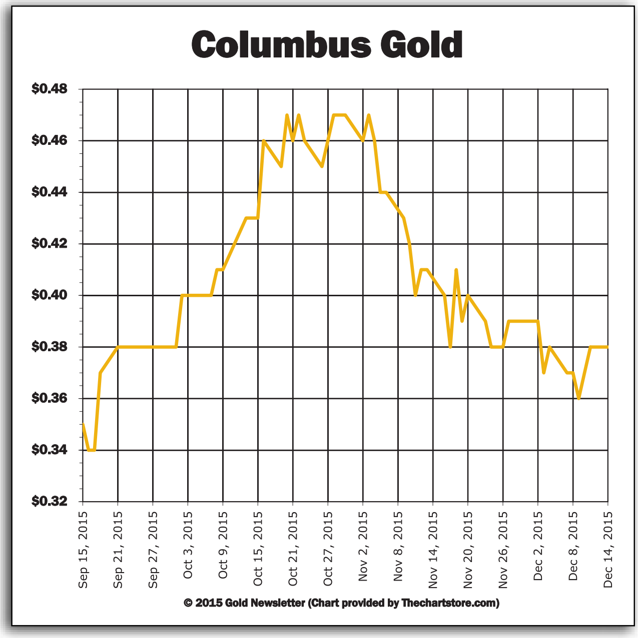
With capital to move Ixtaca toward the prefeasibility phase, Almaden is well positioned to capitalize on any uptick in precious metals prices. It remains a buy at current levels.

• **Balmoral Resources** (BAR.TO; BALMF.PK; C$0.43) recently closed on the second tranche of a flow-through financing that, in aggregate, raised $5,435,734 in gross proceeds for the company.

In total, the two tranches issued 7,247,646 flow-through shares priced at C$0.75 per share. The second tranche, which com-

(Continued...)





prised $900,000 of the total, was placed with one institutional shareholder.

The company will use the funds to advance its two core projects: the Martiniere gold project and the Grasset nickel discoveries.

The latest word from Martiniere is that metallurgical testing of its Bug Lake gold zones has demonstrated strong recoveries are possible. Test work on a composite sample yielded gold recoveries of 91.4% and silver recoveries of 80.2%.

Meanwhile, at Grasset, drilling has encountered a high-grade sulphide vein-breccia system in the H3 Nickel Zone. At a depth of 425 meters, Hole 97 intersected 7.5 meters of 10.50% nickel, 0.74% copper, 1.87 g/t platinum and 4.87 g/t palladium. The hole confirms the continuation of the H3 target at depth.

Balmoral will add this hole to the resource estimate it is preparing for H3, which should be ready in early 2016.

This company is proof of the fact that we haven't completely abandoned exploration stories in our portfolio. There's still room on our list for high-potential stories like those developing at Grasset and Martiniere. Balmoral remains a hold.

• **Columbus Gold** (CGT.V; CBGDF.PK; C$0.38) and JV partner Nord Gold are moving ahead aggressively with feasibility work on the Montagne d'Or deposit, which is part of the Paul Isnard project in French Guiana.

Four rigs are currently turning on the deposit. The bulk of that work consists of an infill drilling program to upgrade as much of Montagne d'Or's indicated resource as possible into the measured category. The most recent resource estimate for the deposit pegs its resource at 3.9 million ounces of indicated gold and 1.1 million ounces of inferred gold.

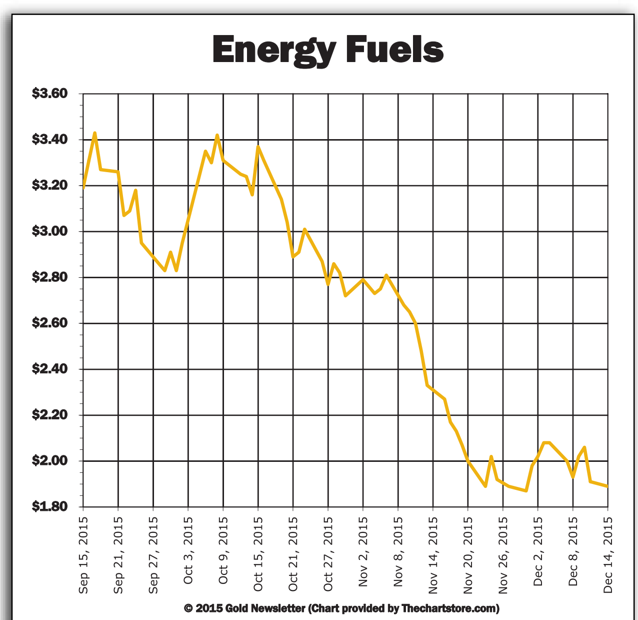
In an endorsement of the project's importance to French Guiana, parent country France has authorized the use of cyanide to process the ore at Paul Isnard. This announcement suggests the permitting process for an eventual mine at Montagne d'Or should go smoothly.

With a five-million-ounce gold resource moving towards feasibility and a target rich exploration project in Nevada, Columbus Gold has a robust growth profile backed by significant downside protection. It's still a buy.

• **Endeavour Silver** (EXK.NYSE; EDR.TO; US$1.44) has announced an at-the-market offering that could raise up to $16.5 million. The company has made the arrangement through Cowen and Company, LLC.

The deal calls for Cowen to sell common shares sufficient to raise as much as $16.5 million. The offer will be made in the U.S. only and will not extend to any of the Canadian trading markets. Endeavour will use the funds to further exploration of its existing projects, move its Terronera project along the development curve and bolster its working capital.

While the move is evidence of the tough environment Endeavour and its silver-producing brethren are operating in, the money raised should be sufficient



to keep the company's operations going while it awaits a market turnaround.

Bottom line: Primary silver producers like Endeavour Silver still have a place in our portfolio. The company remains a hold.

- **Energy Fuels** (UUUU.NYSE-A; EFR.TO; US$1.98) has sold some of its non-core uranium assets to **enCore Energy** (EU.V; C$0.03) and Tigris Uranium U.S. Corp. The projects in the package include Energy Fuels' Marquez and Nose Rock projects in New Mexico, its Moonshine project in Arizona and its Cedar Mountain, Geitus, Blue Jay and Marcy projects in Utah.

In exchange for the properties, Energy Fuels will receive $329,960 in cash and 14,250,000 common shares of enCore. The share part of the deal will give Energy Fuels a 19.9% stake in enCore.

This rationalization of its portfolio will allow the company to focus on more economic projects in its portfolio. Energy Fuels' emphasis going forward will be on higher-grade, lower-cost and larger-scale projects. Plus, given the share position it holds in enCore, the company will participate in any upside from the projects it has sold.

With two uranium production centers at the White Mesa mill in Utah and the Nichols Ranch facility in Wyoming, Energy Fuels is both a production and an exploration story. Given the bright prospects for the uranium market, this company is still very much a buy.

- **Excellon Resources** (EXN.TO; EXLLF.PK; C$0.24) released its Q3 2015 financials in November.

The company reported revenue for the quarter of C$4.6 million. That was down substantially from the C$7.2 million it reported in Q3 2014, reflecting the decrease in metals prices and in production from its La Platosa mine in Mexico.

Excellon reported sales of 372,485 silver-equivalent ounces in Q3 2015, down significantly from the 449,060 in silver-equivalent it generated in Q3 2014. For the most recent quarter, the company posted a net loss of C$1.3 million.

The decrease in production was expected, as the company has not yet completely implemented its dewatering project for La Platosa, an effort that has the potential to unlock some serious value from this high-grade silver-lead-zinc deposit.

Excellon recently received a cash infusion for that project, thanks to a fully subscribed financing consisting of C$5.61 million of 3.75% convertible debentures and the sale of a 1.25% net smelter return royalty for C$990,000.

I continue to be high on the company's plan for expanded production at La Platosa. The mine's high grades ensure Excellon can make money in almost any environment, once the project is complete. It's another buy.

- **First Mining Finance** (FF.V; FFMGF.PK; C$0.33) has completed its acquisition of Gold Canyon Resources and PC Gold.

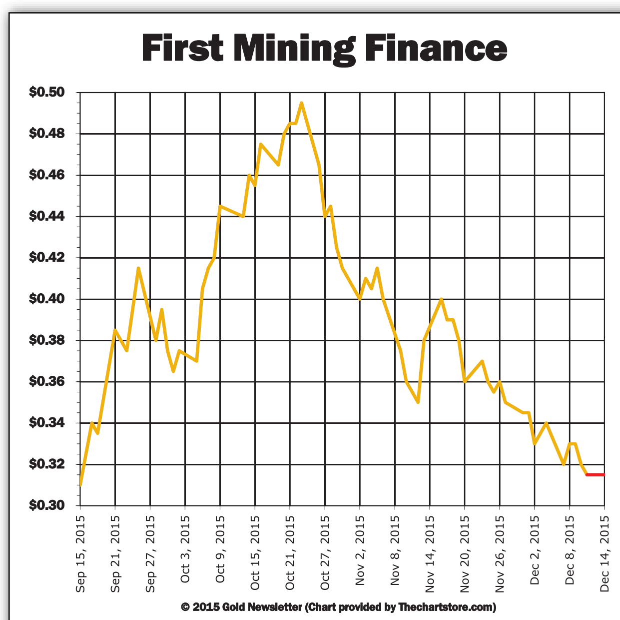
Under the terms of the deal, Gold Canyon shareholders received one common share of First Mining for every share of Gold Canyon held. As part of the deal, Gold Canyon vended its non-gold exploration properties and C$500,000 into Irving Resources. Gold Canyon shareholders will receive 0.03333 of an Irving Resources share for every share of Gold Canyon held.

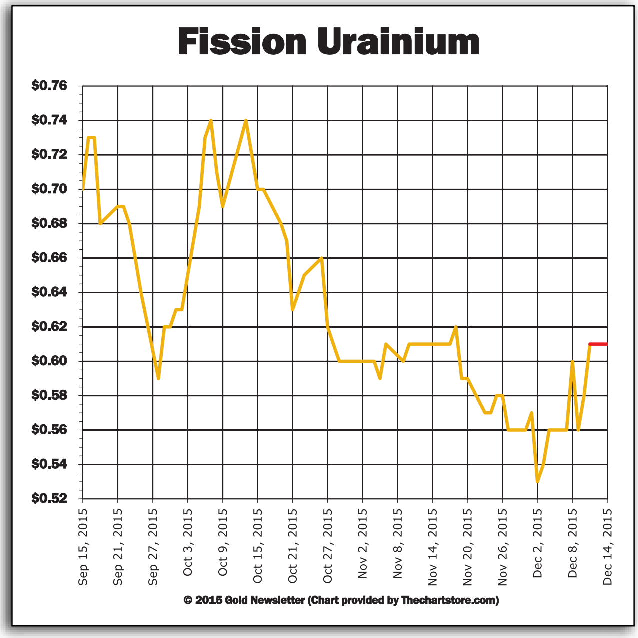
PC Gold shareholders will receive 0.2571 First Mining shares for every share of PC Gold held. I refer you to First Mining's website for the full details on the warrant terms for both PC Gold and Gold Canyon.

With the closing of the transaction, First Mining now holds 21 mineral assets in Canada, Mexico and the United States. The bias of the portfolio is toward gold, but it also contains silver, copper, lead, zinc and nickel prospects.

In Mexico, First Mining has cut a deal with Peñoles, which will allow the Mexican miner to earn up to 100% interest in First

(Continued...)





Mining's Puertecitos and Los Tamales properties in Sonora State. To earn its interest, Peñoles will pay First Mining C$1.5 million over five years. The vendor will retain a 2% NSR in the properties, which Peñoles may purchase, if it chooses.

Not content to rest on its laurels, First Mining then announced it was acquiring **Goldrush Mining** (GOD.V; C$0.02). The deal will give Goldrush shareholders 0.0714 of a common First Mining share for every share of Goldrush held. The transaction implies a value of C$0.026 per share for Goldrush.

This type of aggressiveness on the transaction front is one of the reasons I added First Mining Finance to our list in the first place. This company has the business model and the management team to do extremely well in a market upturn and is still a buy.

- **Fission Uranium** (FCU.TO; FCUUF.PK; C$0.63) recently released another round of assays from its drilling program on Triple R, the resource-hosting portion of its Patterson Lake South uranium project in Saskatchewan's Athabasca Basin.

The intrigue in the latest results came from the R600W zone, an area that has yet to be included in the resource estimate and PEA at Triple R. The assays were highlighted by Hole 439, drilled on line 615W, which returned 6.0 meters of 26.03% U3O8 within a wider interval of 11.02% U3O8 over 25.5 meters.

In all, 16 of the 17 holes in this final batch from Fission's summer drilling program were mineralized. The company is about to embark on an 11,000-meter, C$7 million winter drilling program.

In other news, the company's board is facing a dissident faction that wants to change the current board's membership. While I doubt this faction will win the day, the situation will bear watching as we move toward the annual general meeting for Fission. In the interim, the company remains a hold.

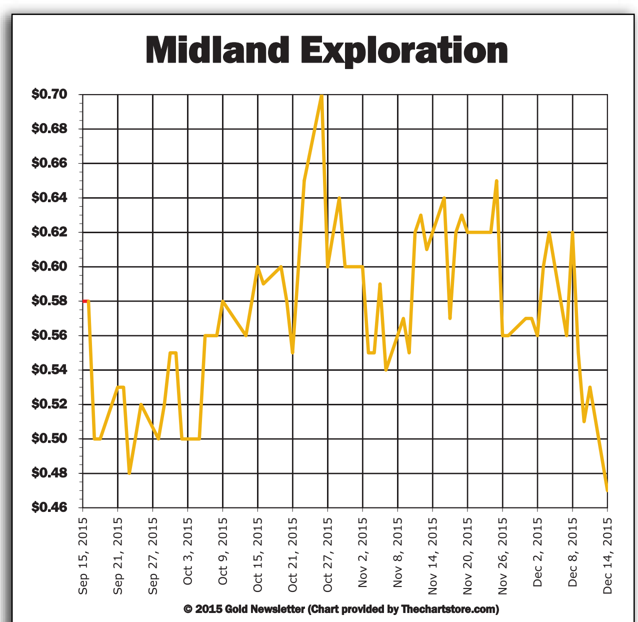
- **IDM Mining** (IDM.TO; RVRCF.PK; C$0.08) has completed a deal with **Oban Mining** (OBM.TO: C$1.13) whereby Oban will vend its Yukon precious and base metal properties to IDM and invest C$1 million in cash.

The deal, which includes a portfolio of properties formerly owned by Ryan Gold, will involve the issuance of 18.3 million shares of IDM.

Ryan Gold was one of the hottest Yukon exploration deals when it came out, with major league backers and featuring the "best of the rest" of the prospects that prospector Sean Ryan had identified in the territory.

As longtime readers will remember, Ryan had pioneered certain sampling techniques, including shallow auguring for soil samples, that led to some big discoveries (the White Gold deposit of Underworld Resources and the Coffee Project of Kaminak Gold, among others). The result was a mad staking rush in the Yukon, and Ryan soon withheld many of his prized properties to roll into Ryan Gold.

Now IDM is getting them for an absolute song.



The company won't have the money to do much with them for a while, but the holding costs are minimal, and IDM won't want to explore the projects in earnest anyway until the market improves and starts rewarding success again. In the meantime, they have a low-capex project at Red Mountain with significant, high-grade resources — just the type of project that's perfect for this still-dormant market.

We'll keep IDM a hold for now pending an update by management and some direction as to the near-term plans for Red Mountain.

• **Midland Exploration** (MD.V; MIDLF.PK; C$0.51) has completed a private placement, issuing a total of 835,365 flow-through shares at C$0.85 a share. The placement raised gross proceeds of $710,060 for the company.

The company will use the money to explore its Quebec project portfolio, including the Jouvex joint venture with SOQUEM. On that property, the partners are about to embark on a drilling program to test targets identified in an induced polarization study conducted earlier this year.

Jouvex is one of many high-potential projects in this prospect generator's portfolio. With funds from the financing and funds from its JV partners, Midland won't lack for news flow in the New Year. It's still a hold.

• **New Gold** (NGD.NYSE-A; NGD.TO; US$2.44) has closed its deal with Goldcorp on El Morro.

New Gold had held a 30% interest in the El Morro project. In exchange for that interest, New Gold received $60 million in cash ($90 million less taxes and transaction costs) and the cancellation of the company's $94 million carried funding loan payable. The transaction also gives New Gold a 4% gold stream on the property.

It's a good deal for the company, one that improves its financial flexibility and allows it to monetize a development-stage asset while still retaining a piece of El Morro's significant upside.

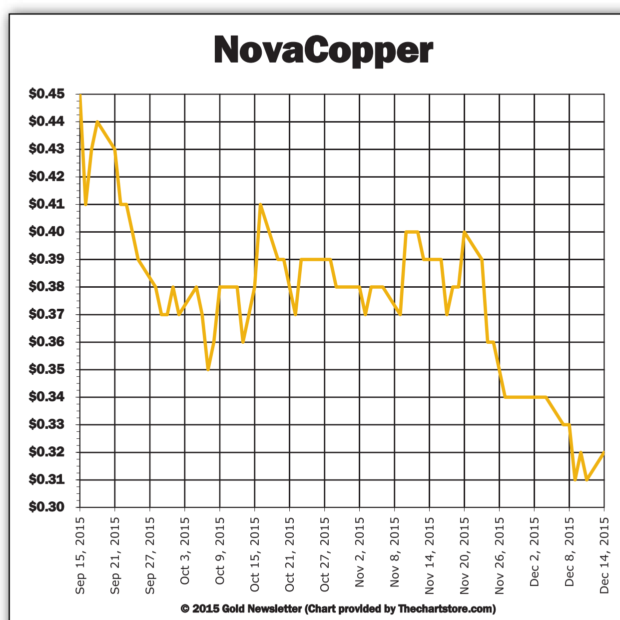
A strong, mid-tier producer, New Gold remains an important component of our portfolio, and a hold.

• **NovaCopper** (NCQ.NYSE-A; NCQ.TO; US$0.31) recently provided the market with an update on its year.

Highlights included the closing of the Sunward Resources deal, a transaction which netted the company C$20 million in cash and the Titiribi gold project in Colombia. The company also completed a summer drilling program on its Arctic project in Alaska and received word that Alaska's governor had approved an EIS for the Ambler access road.

Finally, the board approved a name change for the company. Pending shareholder approval, NovaCopper will become Trilogy Metals Inc. We will, of course, continue to follow the company after the name change.

That's especially true now that momentum appears to be building for the Ambler access road, construction of which has the potential to unlock the value of the deposits the company holds in the region. It's another hold.

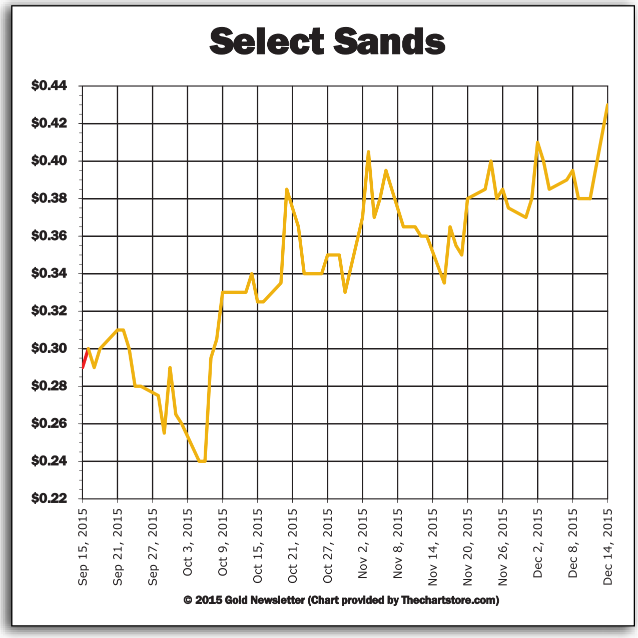


• **Precipitate Gold** (PRG.V; PREIF.PK; C$0.09) has closed a two-tranche private placement.

The first tranche raised C$800,000 in gross proceeds by selling 10 million units prices at C$0.08 per unit to Strategic Metals Ltd. Each unit consists of one common share and one purchase warrant, which will entitle Strategic Metals to purchase one share of Precipitate for C$0.12 within 12 months of closing.

The second tranche raised C$80,000 by placing another 1 million units priced at C$0.08

(Continued...)



and including the same terms as the first tranche. The company will use the money to pursue exploration on its Tireo Gold Trend properties in the Dominican Republic.

We'll keep Precipitate a hold while we see what it can accomplish with this new round of financing.

• **Santacruz Silver Mining** (SCZ.V; SZSMF.PK; C$0.10) has entered into a new credit facility as part of a debt restructuring. The US$9.5 million loan facility comes with a 15% interest rate, payable quarterly. The deal is set up so Santacruz can make quarterly principal payments in the third year after closing.

By deferring principal repayment, the company has freed up money it needs to restructure a pre-paid forward silver purchase agreement. It will also buy Santacruz some time to shore up its balance sheet.

Though obviously a sign that the company is in some distress, this deal could very well provide the bridge Santacruz needs to make it through to a better market. We'll keep a hold for now, but maintain a close eye on future developments.

• **Select Sands** (SNS.V; CLICF.PK; C$0.44) has hired an industrial sand sales specialist to help it identify customers for the silica the company envisions mining at its Sandtown deposit in Arkansas.

The consulting agreement with Carl Buchanan, a past regional manager for U.S. Silica, should allow Select Sands to balance its frac sand opportunities with its industrial sand opportunities. The company continues to be one of my sleeper plays on the eventual rebound I see coming in the oil market.

Hiring Mr. Buchanan ensures that, in the interim, Select Sands will remain on the hunt for industrial customers for Sandtown's product. The company remains a buy.

• **Tasman Metals** (TAS.NYSE-A; TSM.V; US$0.19) has completed a pilot test plant for its Norra Karr heavy rare earth element project in Sweden. The plant was run at the Geological Survey of Finland and analyzed a 6.5-tonne sample of representative ore at Norra Karr.

According to the company, the magnetic separation equipment was not of the same quality as that used for an earlier bench scale pilot, but the most recent effort provided solid results. The separator achieved 79% yttrium recovery in a mass of 34.8%. To date, the pilot plant has produced 1.9 tonnes of eudialyte/REE enriched mineral concentrate.

Management is enthusiastic about the pilot's ability to help it optimize the metallurgy for Norra Karr. Although the gild is off the lily with regard to rare earths plays, I still like Tasman's story of potential rare earths production in Europe's backyard. It's an excellent speculation at current trading levels.

• **TriMetals Mining** (TMI.TO; TMIAF.PK; C$0.06) recently updated the market on the state of the arbitration between Bolivia and TriMetals' subsidiary, South American Silver. Without getting to far into the technical details of the process, the gist is that the country's government and South American Silver are slated to have a final hearing before the international arbitrator in summer 2016.

Like any legal outcome, betting on events like this is nearly always a mug's game. That said, if South American Silver gets even a fraction of what it's rightfully owed for its work on the Malku Khota silver-indium project, it will be good news for holders of TMI's "B" stock and holders of TMI itself, as current company shareholders will benefit directly from any settlement.

We'll keep it on our hold list while we wait to see how the arbitration turns out on Malku Khota and on how exploration and development progresses on TriMetals' Gold Springs project on the Nevada-Utah border.

Waiting For The Turn

Top analysts and savvy investors gathering in New Orleans this year sensed a major inflection point in stocks, commodities and currencies.

Here are some of the top forecasts and strategies from what everyone agreed was one of our most rewarding conferences ever.

By Brien Lundin

Wow. That's all I can say about this year's New Orleans Conference.

I would've expected a letdown after last year's spectacular 40th Anniversary event, featuring Alan Greenspan. But this year exceeded all my expectations by a mile. And judging from the feedback I received from attendees, speakers and exhibitors, I wasn't the only one impressed by the value presented.

Developing the agenda for each year's event is one of my greatest responsibilities. It's also one of the most fun, and I'm like a kid in a candy store when I review all the great analysts and commentators that want to present at this legendary event.

I know Jim Blanchard was the same way, and he set the bar very high by stacking each year's speaker roster with the most brilliant and widely followed authorities in every area of investing, economics and politics.

His legacy has been both a blessing and a curse to us. A curse because we have this glittering reputation to live up to every year. And a blessing because people keep coming back year after year to get value they know they'll find nowhere else.

Excess in everything is not a business model they teach you in school. But Jim understood it instinctively, and it's the reason we're still around after four decades.

So we keep trying to out-do ourselves, and the results speak for themselves.

A Minor Shift In Course

This year, however, I decided to take a bit of a different tack due to the extraordinary opportunity facing us in metals and mining shares.

As I told the audience in my opening remarks, we are at the bottom of a major cyclical downturn in metals and the associated resource stocks. In fact, the current bear market, by many measures, is the deepest in history.

Considering that these downturns typically only occur once every decade or so, we may encounter less than a handful of them in our investing careers. But for those experienced enough to remember previous such events, they can be spectacularly profitable.

In a typical cyclical rebound, the mining share indices may rise four or five times over. This decline has been so severe, however, that the indices will have to multiply more than six times over just to reach their previous highs.

And if the *average* stock rises five or six times in value, the big winners will soar 10, even 20 or more times in price.

That's the kind of opportunity that's facing us right now. And that's why I focused just a bit more this year on bringing in experts in metals and mining, as well as energy, to show attendees the best strategies and specific stocks to acquire at these lows.

I've featured some of these in the following highlights from New Orleans 2015. But I can't stress this enough: The following excerpts don't even scratch the

(Continued...)

"This decline has been so severe, however, that the indices will have to multiply more than six times over just to reach their previous highs."

"The following excerpts don't even scratch the surface of the incredible value presented at this event."

surface of the incredible value presented at this event.

While this digital edition of Gold Newsletter no longer has the physical limitations of a printed issue, we're still limited in the file size we can effectively deliver. To fit even within these expanded limitations, I wasn't able to cover presentations from most of our speakers. And for those I have presented, I had to edit much of their presentations.

Now, as you'll undoubtedly notice, we decided this year to continue the process we instituted last year, of providing word-by-word transcripts of the General Session presentations. The resulting document is enormous — over 300 pages in total, jam-packed with some of the most insightful, enlightening and entertaining information you'll ever encounter.

By the very nature of getting presentations transcribed, there will be errors. We've tried to catch most of them, but please forgive those that snuck through.

Again, the following article presents only some of the many highlights from New Orleans 2015. If you want to benefit from all of the valuable information presented, you'll have to purchase the entire transcript, or get it at no cost by purchasing one of our sets of audio or video recordings. You can learn more about how to do so HERE.

Now let's begin our necessarily brief tour of New Orleans 2015….

Sean Brodrick

"Power Up Profits With Lower-For-Longer Oil Prices"

Sean Brodrick

I changed the title of this presentation on the flight, and the reason is, for the first time in a long time, I have optimism that prices are going higher again — at least in a timeframe I can see. Before, I did not see that. I've been one of the lower-for-longer camp guys for quite some time, but there's a rally coming, and I'll explain why I think that is — at least in oil. Natural gas may take longer, but we have some things going on.

So natural gas, it is hard to find anything bullish to say about natural gas, right now. I mean prices just hit a three-year low, and we have El Niño, which all the meteorologists are telling us is leading to a warmer winter, so that's really screwing up the already huge supply we have.

So let's talk about El Niño, "the blob," and winter weather. This is the thing that just hammered natural gas prices this past week. We are going to have, apparently, by those people who know weather, one of the strongest El Niño's in over 50 years, and traders think that it means a warm winter.

I would point out no two El Niños are exactly alike. The last time we had a strong El Niño, which was the 2010 season, it actually made things cold and snowy on the East Coast. So there haven't been enough El Niños that we've actually tracked to draw any super strong conclusion. They can tell you what they think will happen, and they actually have a pretty good guess.

But on the other hand, I would say that a lot of the bad news is priced in. And if we have an El Niño like the last El Niño we had, it could be a rather cold and snowy surprise for the East Coast. So we'll see how that goes.

And one thing no one's talking about anymore is "the blob." "The blob" — you can look this up on the Internet because this is something that meteorologists have been crowing about for like three years now. It sits out in the Pacific Ocean. It's a big patch of really warm water, and it's controlled the East Coast weather system since 2013. So maybe El Niño will show up to party, but it's already found out that "the blob" has already wrecked the house.

So there's a lot going in weather. People have priced in a very warm winter. You just have to know that there's a lot of stuff going on in weather, and weather is even more hard to predict in the markets, and the markets are very unpredictable. So I would point out that shale gas production of natural gas, which is the thing that got us into this huge over supply, is actually going down.

Production from the largest U.S. shale gas deposits will drop for a fourth straight month in October.

So what we're seeing is we seem to be — I think we're close to a peak in U.S. natural gas production. We haven't seen the peak yet. It is still going up, but the new stuff coming on is from the conventional natural gas production, and the shale gas is already topping out….So just as everybody is pricing in the apocalypse on natural gas, maybe the apocalypse is not what you should be pricing in. Maybe if you play these kinds of things, there are some really cheap options that can really work out for you, but only if you're a speculator.

Crude oil — let's talk about that a little bit. All right. U.S. crude oil production has peaked. In late May — early June — whenever you want to call it, depending on how you measure it, it peaked about 9.6 million barrels per day. It's dropped off by a half million barrels per day since then, all right? And so you would think that would send prices higher. Why don't we have $55.00 — $65.00 per barrel of oil, right now? The problem is now the refineries are importing more, and they're still pressuring the U.S.-produced oil. So that's why we have incredible oil in storage — because it's a global market.

…I'm actually look for a bigger decline in U.S. supply, and… we are going to see production fall off quite a bit next year. We're down to 9.2, maybe 9.1 million barrels per day, now. It'll decrease probably to 8.8 million barrels per day in the first half of 2016. Shale oil output is just falling off a cliff because those wells really deplete very quickly. And so as a result of this, an International Energy Agency says that growth and supplies from outside OPEC will grind to a halt in 2016, and we'll see output fall, even in Russia, which is one of the big oil powerhouses — Mexico and Europe.

…The world is oversupplied right now by 1.4 million barrels per day. What that means is that prices would be even lower except that the Chinese are destroying so much. They're building up their own strategic petroleum reserve. As we sell ours off, they are building one up, all right? So you can who might be the smart one in that situation.

Now, however, global supply has rose by 690,000 barrels a day in June alone. So we've had five consecutive quarters of oversupply, and this'll be the sixth quarter. So the market is oversupplied, but it's not going to stay that way forever. Part of the reason that it really happened was the surge we saw in OPEC production. I don't really have to tell you about that probably except that there's going to be even more when the sanctions on Iran end.

And all this sounds bearish as heck, and you're thinking, "How is this guy going to see any bullishness whatsoever?" I will get to that, but you do have to understand that we're going to see more oil from Iran in the first half of next year.

All that said, you know what, the market has really priced that in already. And it has probably priced in the fact that Iraq is now increasing its production faster than Saudi Arabia increased its production. These countries are pumping flat out, now. They have to pump flat out.

…This is what the banks have to figure on. This is what makes everyone so nervous, is they have these oil kingdoms that would be in real trouble if things continued the way they are. And they're worried about it so much, they're selling all the oil they can trying to squeeze out that extra dollar profit against the hard times that could come in case things got a lot cheaper. Goldman Sachs says oil is going to $20.00. I think they're wrong. I think we could see it dip lower, but I don't think $20.00's on the table, but people have to price that stuff in.

…Global demand is tepid right now, but it will rise. In fact, global demand rose 1.2 million barrels per day last year. It's adding 1.3 million barrels per day this year, in 2016, another 1.4 barrels per day. That's kinda going to suck up the supply-demand gap that's just been weighing on the market so much, but that's not even the bullish thing.

This is the bullish thing: Oil investment is plunging, just falling off a cliff. None of the big companies want to invest in expensive oil projects with prices the way they are. Royal Dutch Shell just gave up on the Arctic, said, "No, that's it. We've had enough. We aren't going to do it. Leave it to the Russians." And so $600 billion worth of upstream oil and gas projects scheduled between 2015 and 2019 have been

(Continued...)

"This is the bullish thing: Oil investment is plunging, just falling off a cliff."

“The takeaway is this: that the very idea of the state itself is poisonous, it’s evil, and it’s intrinsically destructive.

canceled in just the last year alone. That would total 5 million barrels per day of production by 2020.

Now, that won’t all come off at once. It’s just stuff that was planned is not going to be there. When will we start to see that stuff that was supposedly in the pipeline not be in the pipeline anymore? My best guess would be 2017 — maybe late 2016. There will be projects that should’ve been completed that will not have been completed that aren’t going to be there that the IEA and everybody else is using for their estimates of global oil supply. And so this means that I think that 4th quarter of 2016 — early 2017, we could start to see a shift back in the global oil supply-and-demand balance because demand, as I’ve shown you, keeps going up and up and up.

…What do you think will be cancelled, say, through the first half of 2016 when prices still continue in this terrible range? I’m expecting a range between $40.00 and $50.00, thinking that if oil gets down to $35.00, projects will be shut in. And if oil gets up to $60.00, then we’ll start to see that extra supply that I was speaking about come back on.

So I’m looking for a $40.00 to $50.00 range. I haven’t been wrong yet, and I think we can continue on in that range for a lot longer even though Goldman Sachs says $20.00. I think that they’re kinda talking their own book there.

So there’s two ways to do this. You can buy stocks that are really cheap and wait for them to go higher in 2017, or you can buy ones that you can be paid to wait. These, briefly, are ones that have been working out for us. Goodyear Tire and Rubber, there’s a company that makes money because people drive more because of cheap gas. And at the same time, one of the basic inputs it has, which is crude oil into making the tires, that’s gone down, as has rubber. So I mean that’s just the kind of thing that can do well in cheap oil. There are plenty of stocks that can do well in cheap oil.

But in energy stocks, I look for cash flow, plenty of cash to seize opportunities, big, fat dividends, but they have to be able to cover them, and a business that can profit even if oil prices go higher. My first pick would be Magellan Midstream Partners. I’m sure you guys have at least heard of this one. It’s great. Things keep going up, but it gets sold off with everything else.

I’m not sure if the market’s crazy or what. I mean this thing keeps doing better and better and better. If the underlying business is doing better and better and better and the stock is going down, that sounds like a buying opportunity to me. And it just raised its dividend again, and I think that’ll work out for you.

Another one would be Enterprise Products Partners. It’s the country’s largest publicly traded pipeline master limited partnership. Price is down, but it’s pumping that volume. Profits are up. It keeps raising its dividend, current yield: 5.7 percent. It’s not going anywhere. It’s going to pay that dividend, too. So it’s still in a downtrend, but you get paid nicely to wait on that one.

Doug Casey

“The Greater Depression Stage 2: Worse Than Anyone Thinks”

…If you don’t remember anything else from what I say. I want to emphasize it because I expect most of everything else to bounce off everybody’s minds. And here’s the idea. The takeaway is this: that the very idea of the state itself is poisonous, it’s evil, and it’s intrinsically destructive. But like so many bad ideas people have come to assume that it’s part of the cosmic firmament, when it’s really just a pernicious scam.

It’s a fraud, like your belief — which most of you have, that you have a right to free speech because of the first amendment. Or a right to armed because of the second amendment. That’s a lie. You don’t. The U.S. Constitution, first of all, is just an arbitrary piece of paper, entirely apart from the fact the whole thing is now just a dead letter and meaningless. You have a right to free speech and to be armed, not because of those thing but because they’re necessary parts of being a free person. It’s got nothing to do with the Constitution or tradition.

Now even though the essence of the state is coercion people have been taught to love and respect it. Most people think of state in the light of a quaint light, of a grade school civics book. They think it has something to do with we the people electing a Jimmy Stewart-like character to represent them. And then this ideal is a pernicious fiction because it idealizes, sanitizes and legitimizes an intrinsically evil and destructive institution which is based on force. As Mao once said, quite correctly, "It comes out of the barrel of a gun."

But things have gone far beyond that. We're now in the deep state. So let me explain the deep state to you, and I think you'll recognize it. The concept of the deep state originated in Turkey, which is appropriate since it's the heir to the totally corrupt Byzantine and Ottoman Empires. And the best Byzantine tradition, the deep state has insinuated itself throughout the fabric of what once was America. Its tendrils reach from Washington down to every part of civil society. It's like a metastasized cancer, and it can no longer be easily eradicated for that reason.

…But unfortunately the deep state is much broader than just the government at this point. The deep state includes the heads of major corporations, all of whom are involved in selling to the state and enabling it.

How many people are in the deep state? Well, I'll go into that. But I divide the deep state into three tiers. And I compare it to a pack of dogs. The people I've just described are the top dogs. There's not many of them, 1,000, maybe 2,000. But there are several million more who aren't at the nexus but who depend on them directly and have considerable clout and support the deep state because it supports them.

Now who are "they"? This is the next tier down after the top dogs. It includes many of the wealthy, who got that way thanks to their state connections. About 1.5 million people in this county have top secret clearances, if you can believe that. It's true. Plus, many people in organized crime, especially the illegal drug business, little of which would exist without the state — mid-level types in the police, in the military, corporations and NGOs, of course, are members of this next round.

…Now beyond these running dogs, which I've just described, there are scores and scores of millions on this country who depend on things remaining the way they are now. Fifty percent of Americans are net recipients of welfare and benefits from the state. There's 60 million people on Social Security (Ponzi scheme), 66 million on Medicaid, 50 million on food stamps, many, many millions on hundreds of other programs.

There are 23 million people employed by the government — I don't call them "working" for the government but they're employed by it. You might call this level of people, which are the vast majority of the population, you might call them whipped dogs. Why? They roll over on their backs and wet themselves if they're confronted by a top dog or a running dog who feels they're out of line.

And these three types of dogs make up the vast majority of the U.S. population. Now I trust that none of you are top dogs, running dogs, or (God forbid) whipped dogs. Unfortunately, however, dogs, as much as I love actual real dogs, are the enemy of wolves. And I consider myself to be someone of a lone wolf. And this is a problem if you're a lone wolf in a society run by dogs.

So the deep state is destructive but it's great for the people who are part of it. And like any living organism the prime directive of the deep state is survive. I mean that's the prime directive. And how does it survive? It survives by indoctrinating the fiction that it's necessary: "We need the government to do this. Who would build the roads? Who would build the schools?" These are ridiculous and stupid questions. I'll get into stupidity a little bit later. But it's a parasite that promotes the ridiculous notion that everybody can live at the expense of society in general.

Now you're asking yourself, "Well is it a conspiracy that's set up by a man stroking a white cat?" I think not. I find it hard enough to get a bunch of friends to agree on where to go for dinner, much less a bunch of power-hungry miscreants bent on running everybody else's life.

But on the other hand the top dogs all know each other, they went to the same schools, they belong to the same clubs, they socialize together. And most important, they have common interests, values and philosophies — although it's not a real conspiracy. Deep state rotates around the

(Continued...)

"…the deep state has insinuated itself throughout the fabric of what once was America. Its tendrils reach from Washington down to every part of civil society.

Washington Beltway and it imports America's wealth as tax revenues, where it's consumed by useless mouths, and then it exports nothing but destructive things. So that's who composes the deep state.

…There are two types of people: People that believe in voluntary relationships and people that believe in coercion. Now guess what type tends to gravitate towards the state, and believe in it and take it seriously? And another way to look at it is some people want to control physical reality, and other people are just interested in controlling other people. Guess what type gravitate towards the state?

…Now the problem is pretty obvious, in my opinion. The deep state is entrenched and it's growing stronger. That's why the rich, almost all of whom are top dogs or running dogs, are in fact getting richer. The question is can things we turned around? And the answer is yes, there's always hope. For instance, in 1973, after the communist Allende destroyed the Chilean economy he was replaced by Pinochet. And it's true he killed several thousand leftists in the process, but because of the reforms he made Chile is now by far the most prosperous country in Latin America. The average Chilean today has higher net worth than the average American, solely because of the fact their social security program was privatized in 1981.

Another example is Singapore, run by Lee Kuan Yew, since 1965 — he's gone now. Back in those days Singapore was a dump. Now one out of six households in Singapore has one million dollars in disposable cash. And that is excluding the value of businesses, property or luxury goods.

Now both of these regimes were very unsavory dictatorships. They were distinguished only by their adoption of intelligent economic policies. And I've got to say that 95 percent of the time dictators don't make things better, they make things worse. And I actually expect we'll get a dictatorship in the U.S., but it's unlikely to improve things.

…But now let me turn around the nature of what I'm saying and tell you that there are two very important reasons for optimism, and they are science and savings. Number one, science and technology are the mainsprings of progress. There are more scientists and engineers alive today than have lived in all human history put together. Unfortunately for Western civilization, however, most of them are Asians, not Americans. Most American PhDs don't have that in rocket science, but their PhDs are in political science, or maybe gender studies.

Nonetheless the advancement of science leads me to believe that there's tremendous room for improvement in the world state. I believe that left to a free market the future can not only be better than you imagined but probably better than you can imagine. So science is an engineering or huge favorable thing.

And the second thing is savings. Things can recover very, very quickly in a free market because technology and skills don't vanish overnight. Everybody but a university economist knows that you have to produce more than you consume and save the difference if you want to avoid starving to death.

The problem's two-fold, however. Number one, Americans have no savings — not you guys but most Americans — and to the contrary they have a lot of debt. And the problem with debt is this: it means that you're either consuming somebody else's savings, or your mortgaging your own future. That's what debt is all about. And even worse, since science today is capital-intensive, if you don't have capital, which is built by savings, you don't have science, certainly not in today's capital-intensive science world.

So if the U.S. destroys the dollar it's going to wipe out the capital and prudent savers and reward society's grasshoppers until they starve.

Well, of course Adam Smith observed, a couple hundred years ago, that there's a lot of ruin in a country. It took Rome a couple of centuries to collapse. And a look at how quickly China recovered from decades of truly criminal mismanagement. Since 1980 or even 1990 look what's happened. It's been transformed. So things really can be good. I'm just afraid that the U.S. might provoke World War Three with them, eventually. And then we'll see what a real zombie apocalypse looks like. But I always look at the bright side. So talk about free entertainment, huh?

Now let's get back to the real world. What should you do?...Well, I'll tell you. From a personal standpoint you should preserve capital by owning significant assets outside of your home country, because as severe as the market risks are your political risks are much more severe. I suggest foreign real estate in a country where you're viewed as an investor to be courted, as opposed to a milk cow, which you are here, or maybe a beef cow, eventually.

On gold, it's no longer give-away prices, but it's cheap, and I think a bull market is starting again. Look for bubbles that'll be inflated. I think small resource stocks are actually excellent buys at this point.

And there could be a super bubble in them. And the other thing is short bubbles that are about to burst like — I'd say bonds in general, Japanese bonds, denominated in yen in particular. If you have a collectible car from the Sixties that you're treating as a financial asset I'd hid the bid tomorrow morning. If you have expensive property in New York, London, Sydney, Tokyo, San Francisco, Auckland, Shanghai, a number of other places in the world I'd get out of it.

Brent Cook

"Could It Get Any Better Or Worse Than This?"

…What I want to do today is quickly go through the cycle, the commodity cycle, and the booms and busts, and I think you all are aware of this, how it's always been this way. A bit of history of how it plays out, what the miners generally do out of necessity. My thesis here has very little to do with the gold price. I don't need a gold price or copper price increase per se because the issues we're facing are decadal. In the end, this is intended as a positive presentation.


Brent Cook

So here's a quick look at the commodities boom and bust cycle since 1900, excluding oil. You can see it just goes on and on, and it's happening again. We're in the bust/down phase of this cycle. This is probably — does anyone own this stock? *[Laughter]* I'll bet. Care to guess?

All right, so this is a 99 percent loss. We're just going to look at some charts. This is from 1996 to 2001. The company is called Nevsun Resources, $17.00 to $.10 over that timeframe. That was a tough bust. Here's what happened after. You can see the long low period from 2000 to 2002, and things started picking up. What happened was Nevsun made a discovery, and we booked in — well, it booked almost a 9,000 percent gain over that timeframe that we're looking at there.

Here's another one: Virginia Mines. I think a lot of you have probably owned this in the past. At one point in 1999 it was — you could buy this company, headed by one of the best explorers in the business for $.35 when he had $.45 a share in cash. You can see what went on to happen here. He made a discovery and booked a 3,500 percent gain.

…Here's what it looks like since the bust, this most recent bust, call it 2010. What I show here is gold, as measured by the GLD, copper miners in blue, and the small miners as measured in the GDXJ, which is down 83 percent more or less from its peak — well, not the peak, but since 2010.

(Continued...)

"On gold, it's no longer give-away prices, but it's cheap, and I think a bull market is starting again."

"…So if it's cheaper to buy than build, why explore?...From an accountant's point of view or financial guy's point of view, there is no point."

So it's bad out there, really bad out there. How have mining companies reacted to this decline over the past five years? Here's what they're doing. They have to do this. They have to increase cash flow. They have to become profitable. They're slashing sustaining costs. Sustaining costs, when you think about it in a mining business, sustaining costs is what it actually takes to sustain your business. If you're not sustaining your business, which is bringing in more infrastructure, developing more underground workings, building more facilities, you're going under.

You can see that it's down 40 percent, and it's down another 30 percent last year, and it's still heading down. They're still focused on decreasing costs, and how you decrease costs at a mine is 1) stope developing, 2) you start high grading your deposits. What this shows here is a 45 percent drop in the average grade of gold mines, open pick gold mines since 2001. You can see here in 2013, that there's an uptick. So they've increased the grade about 15 percent, and I think that's about the same this year. So they've increased profitability or even stay in business. They're pulling the guts out of their deposits.

…More importantly…we're spending in inflation-adjusted dollars much less than we were spending 10 or 20 years ago exploring. It's getting much, much harder to find these deposits as well for a number of reasons….

Finally, another recent study….The cost of building a mine versus the cost of actually going out and buying a deposit is almost the same. So if a company can go out and buy a deposit for what it would cost to put it into production, there's little point in actually developing these deposits. There's even less point in exploring for these deposits. So that's what we're seeing happening. The problem is by going out and buying and operating deposit, you're not really replacing the global demand; you're just improving your company. That's going to get tougher and tougher to do because there are fewer and fewer deposits out there that are worthwhile.

…So if it's cheaper to buy than build, why explore?...From an accountant's point of view or financial guy's point of view, there is no point.

…If we look in more detail at gold discoveries since about 2000…it's headed down as well. We're producing on average about 90 million ounces a year globally, mine production. The last time we found 90 million ounces of gold was in 2006.

This gap here that I'm pointing to, that's a 40 million ounce deficit in new gold reserves versus what's being produced. That's an important thing to keep in mind as I go through this, 40 million ounce gap every year. What does 40 million ounces look like? Well, the entire Carlin trend since its discovery has produced about 90 million ounces, and that's over a 25-, 30-year period, about a dozen deposits. So, effectively, just to replace our 90 million or 89 million ounces of annual production, we have to not only find, but put into production, one Carlin trend every year. It ain't happening. There is no way possible this can happen.

So you see where I'm building up to is we're not replacing what demand is going to be.

Less than half of the discoveries made worldwide since 1950 have been put into production. That's a conversion rate of about 48 percent. So even when we find something, it's not necessarily going into production. The important point is that because we're producing so much metal now, it's the tier I and tier II discoveries we need to find, which are the major deposits. They count for 10 percent of the legitimate discoveries, but 70 percent of the net present value or the value that these are. So we're not finding those.

How long does it take to put these in production? We're looking here at about a 20-year timeline now from a major discovery to production, 20 years.

...So moving on, okay, so what we've seen here is that production is outpacing adding new deposits, and that's what's really important to take into consideration here. When that finally hits, it's going to be great for us that own the stocks that are worthwhile, which means, and this is what we do in my letter. This is what my letter is all about is if we know that 90 percent or so of the prospects out there are going to be worthless, we need to kill it as quickly as possible. We need to understand the company's funding requirements. We need to know geologically and economically what is a go, no-go decisions.

What do we need to see as an investor in the results coming out of the drilling and such to convince us that this is going to work? So, again, find the fatal flaw. Know the parameters. Is successful meaningful? That number seven, that's a really important part. I would say the vast majority of exploration guys out there looking are looking for something that even if they're successful is not going to have much of a positive impact on the share price. Given the risks involved in this sector, it will only make sense to go after the discoveries that are going to be meaningful. Does that translate into share price increase? That's another one.

I always try and pick out a couple of companies out there that I think are worth your time. I'm not going to go through them in detail. First off, there's two micro, microcap companies. These are prospect generators. I think most of you are familiar with how these work. **Riverside Resources** (RRI.V): market cap $6 million, $3 million in the bank, and they've got partners spending $3 million their projects. Success could really affect a stock like this, and they're smart people. They run a smart model. They're not going to go broke.

Another one out there: **Millrock Resources** (MRO.V). Market cap $5 million Canadian, about $2.6 million in cash, and partners are spending about that much money exploring their properties this year. If they're successful, I suggest this goes a lot higher than $5 million in market cap.

Third one: **Newmarket Gold** (NMI.TO).

All right, so takeaways. Mining is cyclical. I think we all know that. I think anyone of you here know that and that's why you're here. Discoveries and exploration are collapsing. Supply: New mines, new resources are not going to replace what's being mined over the long run. I don't know when this is going to play out. It may be six months. It may be a year. It may be two years. It may be 10 days, but I know it's going to happen. It always does. Go for the best.

Adrian Day

Adrian Day

"Where In The World: Best Opportunities For The Year Ahead"

The Fed has been blowing bubbles, keeping rates too low as Adens said, for far too long.

And it seems to me that they're almost incapable of raising rates. Now these ultra low rates, not withstanding any effect on real estate and the effect on the stock market, have had devastating effects on the economy as well as individual segments of the economy, and we'll come to that a little bit later. When I say that the Fed is almost incapable of raising rates, I want you to think back to QE. And you remember that the Fed talked a lot about ending QE. But every time they talked about ending QE, as soon as they stopped and the stock market went down or there was another unemployment number that wasn't too strong, they immediately resumed the QE.

And that happened three times. And even now when we don't have QE officially, we shouldn't forget that the Fed has not been reducing its balance sheet. It is still increasing its balance sheet because every time the short-term bonds that it buys from the treasury roll over, every time they end, they roll them over and add the interest to the purchases of bonds. So the Fed is in fact continuing to increase its balance sheet.

And now with ZIRP with the — what an ugly word with the zero interest rate policies, you know, the Fed keeps I'll say threatening, keeps promising or threatening they're going to start raising rates.

You know, at the beginning of the year, I said I thought there would be one interest rate hike this year, and it will be in December, and it will be really just to show the market that the Fed — can I say this — still has balls. It will be to try to retain some of the credibility of the Fed.

…Next year being an election year, the Fed is highly unlikely to change direction in any dramatic way during an election year.

That is very, very, very untypi-

(Continued...)

"I don't know when this is going to play out. It may be six months. It may be a year. It may be two years. It may be 10 days, but I know it's going to happen. It always does. Go for the best. "

"If rates started to move back up even halfway towards historical norms, then the Federal government will be spending 20, 25, and 30 percent of its revenue on debt service. And that of course is totally unsustainable."

cal. I mean basically, the Fed is suffering from performance anxiety. As they say on those advertisements, from stimulus lasting longer than four years, you should see a proper economist. So you know, in my view, the Fed should never have pushed rates so low to begin with….But having pushed rates low, they should never have kept rates so low for so long. And they're clearly not taking Macbeth's advice. The plain fact is…the low rates have actually been a drag on the economy, and that higher rates would actually loosen the credit conditions for lenders.

They would encourage lenders to actually put money into the real economy because that's not what's happening right now. Now we're told by many people that we should trust the Fed. I mean after all, they've got all the information about the economy in their hands.

…First of all, it was the Fed itself that created the conditions for the crisis, and we should never forget that and never let them off the hook for that. In addition to that, they have simply been wrong in all of their forecasts on the economy….

And they are wrong every single year. Every single year, you're outside the range. This is just astonishing that people could be so wrong so many times. Remember Alan Greenspan saying there's no housing bubble, there won't be a housing bubble, you won't have to worry about it….Remember all of those comments? I mean again, the plain fact is that the Fed is consistently wrong. Now in my view, interest rates are going to stay low, and they'll stay low for a period of time.

The main reason is the debt. And as we mentioned last year, rates in my view are going to stay low because of the debt service. When you think that interest rates today are at 75 year lows, matching all-time record lows for short-term rates, and when you think the Federal government is financing more and more at the short end where rates tend to be lower than at the long end, then it's astonishing the Federal government is already spending over 10 percent of its revenue on debt service.

Now the average of all outstanding debt, government debt, federal government debt today, the average is just a shade over two percent. That includes 30-year bonds issued 29 years ago. The average of all interest — the interest rate the government pays, just a shade over two percent. When you look at the 25-year average, which includes the last five years of ultra low interest rates, when you look at the 25-year average of 6.4 percent, you can see quite clearly why the Fed can't raise rates.

If rates started to move back up even halfway towards historical norms, then the Federal government will be spending 20, 25, and 30 percent of its revenue on debt service. And that of course is totally unsustainable.

…Perversely, these ultra-low rates are a drag on economic growth. They're not helping economic growth. So has stimulus helped the economy? And stimulus by stimulus, I mean the QE monetary expansion programs as well as the ultra low interest rates. The problem with stimulus like Botox is that you need more and more of it, and yet it's not a pretty picture at the end.

…Well you know an economy the size of the US needs about 250,000 to 260,000 new jobs every month just to stay flat. So when we're getting 180,000 or 200,000, that is not good news. And in the last couple of months, there have been more first-time claims, unemployment claims, than there have new jobs creation.

…But the unemployment rate as we know is artificial or disguised as a lot of the truth for a lot of reasons. One reason, of course, is the employment pool itself has shrunk. The labor force has shrunk, so when we're looking at unemployment coming down, it's only because the denominator is coming down and is coming down faster than the growth in jobs.

…So why have ultra low interest rates not changed the situation? Of course, those with wealth are always the first to borrow, and then this ultra low interest rate environment, that means primarily the banks. And as I just mentioned, banks are not lending to main street. So the money is not getting out into the economy. If we raised interest rates, we'd actually see more money being lent by the banks. Those who own their own homes. Those who save and don't have any debt. They are relatively disadvantaged by ultra low interest rates, particularly retirees.

…Iif you're a retiree and you were planning on earning 50,000 a year from your million dollar nest egg, you're not doing that anymore. So you have two choices. One choice is to continue to save more, to keep it in the bank for longer, and the other one is simply to speculate, take more risk. So you keep money in the banks, which are not lending it out into the economy, or you speculate. What you absolutely don't do is spend more money, which is what the Federal reserve says it wants us to do. It wants everybody to spend more money, which is total nonsense economically anyway.

…Is it perverse, or is there a lesson to be learned that the only country with realistic interest rates, China, is also the country that is growing the most? This is not a coincidence. This is not a coincidence . Ultra low interest rates are an absolute drag on the economy, and rates are still falling. This year to date, 47 — there have been 47 central bank interest rate cuts around the year. That's 47. Sometimes the same country twice, but Sweden cut their interest rates, and most recently China cut their interest rates a little, and Singapore cut their interest rates. But 47 countries have cut them this year, so interest rates are still falling.

…Asian growth stocks I think have been completely beaten down, and that is a good time to get into them. And lastly, ultra easy money is good for gold and gold stocks.

Economic Panel

Mark Skousen (MC), Douglas Kas, Peter Ricchiutti, James Rickards, Andrew Schiff

Andrew Schiff: You could say — If Mark's taking the position that we're wrong we're really talking about the last four or five year period because if you read Peter's books, of which I had something to do with, we correctly predicted the mortgage and the housing bust leading to the mortgage bust leading to the financial bust leading to a recession: correct, correct, correct. Not a lot of people made that prediction certainly in 2006 and 2007. Now what you can fault us for is not seeing the monetary reaction to those crises.

We correctly predicted that the Federal Reserve would come in and bail out everybody and become the lender of last resort and really changing their mission substantially from what we'd seen before: correct. We thought that those actions would then lead to a dollar weakness at least initially. Okay: incorrect, at least for now. Now you could measure that cycle in a four or five year period.

…But things that we couldn't necessarily have predicted that have been surprising to me — and I've been dealing with the financial media for instance for 15 to 20 years — is the very noticeable shift in the way people report things in the media.

Like for instance we're in a very much…good-is-bad type world. When bad news comes out it creates a positive effect in the markets because it tends to increase the likelihood of more monetary stimulus and the markets like monetary stimulus. Trade deficits, currency movements are always reported very differently than they were 15 years ago. If you go back and read a *New York Times* article from 2001 or 2002 they would report currency gains positively. The Polish zloty moved up. It's signs of gaining economic strength in Poland.

(Continued...)

The Economic Panel

"if you want to know where this QE experience is going — which we've been doing for five or six years, not helping the economy — just look at Japan and what they're doing."

That was the way it was reported. Now it's negative. Now people almost universally see currency movement in the downward direction as a good thing. And I think that's just simply an entrenchment and an expansion of perverse economic ideas that serving the interests of governments who were trying to inflate together and trying to keep the reality of a stagnant economy and a bankrupt or failing financial policy from being correctly understood. And the media which curries favor by essentially carrying the water of those interests have played along.

Peter Ricchiuti: I'm just going to say the reason I'm optimistic about the markets I guess is really in the supply and demand side. You know in 2000 there were 6,600 publically traded companies in the markets — actively publically traded companies. And you know you don't see it because it's day to day. But for instance on Monday Pep Boys was bought out. On Tuesday Rite Aid was bought out. You don't see it en masse but we've had so many companies bought out now that there are just half as many publically traded companies in America.

Now that's net. That includes all the IPOs that have come in. So we now have 3,300 publically traded companies. We've got all these shares about $1.5 trillion worth of shares have been taken off the market. And it's really in the last six years. And that's really one of the reasons I'm optimistic. I think it's supply and demand. We've got more dollars chasing fewer companies. Unfortunately you know I've mentioned that we've fallen in love with stock buy backs. And I don't think that's going to end well.

And of course corporations — You know I sat on the board of a public company for a long time. You know you can't pay a CEO very much money anymore. You can't pay him zillions of dollars. What you can do is give him a moderate amount and give him a lot of stock options. And once you do that they're acting on behalf of the stock. They get a much more short-term orientation. And the other thing is finally on the mergers and acquisitions, although it's been great and there are half as many companies as there were out there before and all that, 70 percent of all acquisitions don't work out.

And the reason for that — You know we can do all these analytics about it but the reason is that people pay too much for these companies. They have to pay a big premium. And you know the old adage: the seller knows more about what's being sold than the buyer knows about what's being bought. I think that's all I see. So no big macro thing. That's why –

Andrew Schiff: We're not permabears and we're not predicting a stock market crash. What happened in 2008 — the crash that we had — happened because the market did not know what was going to happen. There were little time bombs exploding all across Wall Street because people were holding mortgaged-backed securities that might've been worthless. So people started selling everything. At that point they didn't know that the Fed would come in and bail everybody out. That behavior had been unprecedented.

Now it is quite precedented. And if you want to know where this QE experience is going — which we've been doing for five or six years, not helping the economy — just look at Japan and what they're doing. I mean they've been doing it for 20 years longer than we have and they're the Virgil to our Dante — for those people who get the reference. And what's going on there — and I just read a fantastic article I read this week — about how the Japanese government is moving into direct equity purchases.

They already own over 50 percent of the ETF market in Japan. ETFs are being created specifically so the government can buy them because they've bought all the bonds. Now they're moving on to the equities. And now the ETFs aren't enough. They're moving in buying up shares of Japanese corporations directly. A government minister was quoted as saying one of the tangential benefits of such a policy would be if the Japanese government gets controlling interest in these equities.

They can then be in a position to force those companies to implement the administration's policies about — I mean Obamanomics policies of raising wages and increasing spending. So it becomes socialization through QE. And that's where this is going.

Douglas Kass: If you think the QE is going to stop soon it's going to be bonds and then it's going to be stocks. I just want to put a punctuation point to this and then we'll move on to a different subject hopefully. You know everything depends upon your risk profile which in turn produces a timeframe of your trading or investing. The shorter you are in duration, in timeframe, the more price is truth. Getting back to your discussion with members of the audience who objected to his "forecast," the longer you go out in time price is not truth. My largest short position is a stock rollup called Valiant Pharmaceuticals which two and one-half months ago traded for $265.00 and closed after hours at $92.50 on Friday.

To the trader $270.00 was truth two and one-half months ago. To the short seller with a longer term timeframe having Valiant VRX as an investment short price wasn't truth. It was an opportunity for me to short the stock. So I think it depends upon your timeframe.

Jim Rickards: (To Mark) By the way — You act as if 80 percent declines in the stock market are from the dark side of the moon. The Nikkei went down 80 percent in 1990. The NASDAQ went down 80 percent in 2000. These things happen with some regularity — every seven, eight, 10 years — 80 percent. You act like it's a man from Mars.

Mark Skousen: I think what I was trying to say — before I was interrupted — was that we underestimate the power of the Fed to intervene. And I think that's — Andrew said that earlier and this is what has postponed whatever crisis you want to predict or whatever you want to call it. And I would like to see Jim — you at least admit — that the Fed is more powerful than you realize?

Jim Rickards: Listen, I'm the only one who's saying not only is the Fed more powerful than most people realize. I'm the only one who's talking consistently about the central bank of the world, about the IMF. And the IMF's ability to address the next liquidity crisis with trillions of SDRs which you know is not very well understood. But I'm saying not only is the Fed powerful, there's something more powerful than the Fed, which is the IMF, which the world will turn to to create liquidity in the next crisis.

So far from underestimating the role of central banks I'm describing a central bank that very few people understand. I'm telling you what's going to happen. When the collapse comes the Fed — the Fed did $10 trillion of swaps with Europeans. They printed $4 trillion. The FDIC guaranteed every money market fund in America. They guaranteed every bank deposit in America. I didn't underestimate that. What I'm saying is the next…time it will be bigger than the Fed and the trillions of dollars of liquidity will come from the IMF.

So I don't think I'm the one underestimating the role of central banks. I'm actually saying there's a central bank of the world.

Mark Skousen: Well I guess what I'm saying is if you recognize the power of the Fed you would've seen that the stock market would've been a good place to invest. It's doubled and doubled again. I mean it's — Since 2009 the stock market has doubled and doubled again correct? I mean it's increase dramatically and you've missed that entire market which seems like an opportunity to make a lot of money.

Andrew Schiff: Look we had about 80 percent growth from 2009 to 2015 in the U.S. market on the back of the weakest economic non-recession I think we've ever had. I think the GDP average was 1.9% or something like that. So who would've predicted that necessarily as being the case?

Mark Skousen: Are we going to have an earnings recession like Doug is suggesting?

Andrew Schiff: Everybody knows that yes earnings growth is up largely because they're buying back shares and taking shares off the market. Now you know that's financial engineering. You know that doesn't have a good long term outcome because instead of spending money on plant and equipment and growing your business and investing in your busi-

(Continued...)

"You act as if 80 percent declines in the stock market are from the dark side of the moon. The Nikkei went down 80 percent in 1990. The NASDAQ went down 80 percent in 2000. These things happen with some regularity — every seven, eight, 10 years — 80 percent."

The Energy Panel

Douglas Kass: What I missed was not what central bankers would do Andrew but rather how market participants would react. In other words I didn't see this blind faith in the central bankers. And I still — And I'm more negative I think than you going forward on equities for that reason. I mean a very good example was 2013 to me was shocking that the S&P was up 31 percent. Reported earnings were up 6.5 percent. Operating earnings before financial engineering were up 2.5 or 3 percent.

ness you're trading that long term growth for a short term pop of fewer shares and higher earnings per share. Now that — If everyone agrees that that's not a problem and everyone loves that then yeah you can get away with that forever.

But at some point if real long term earnings matter and growth really matters that's going to blow up.

Mark Skousen: All right so we have only a few more minutes. So thumbs up or thumbs down for the next New Orleans conference. It's going to be a year from now. All right stock market up or down? Jim's not going to make a prediction again.

Andrew Schiff: Not about the future.

Mark Skousen: Andrew up or down?

Andrew Schiff: I would say most like upish because they're going to call off the rate hikes and the market's going to love that.

Douglas Kass: The Fed will ease in March and that will be bullish for stocks. It will.

Mark Skousen: Wow interesting. Gold up or down?

Jim Rickards: Up.

Andrew Schiff: Up.

Mark Skousen: Peter says down. Douglas?

Douglas Kass: In a year I don't know.

Mark Skousen: "I don't know." You're honest to say I don't know.

Peter Ricchiuti: …That was a sign of a good guy that wants to say I don't know.

Mark Skousen: Fed will raise rates by next year up or down?

Jim Rickards: They will not raise rates.

Andrew Schiff: If they make a mistake of putting 25 basis points on the table in March in December…they're going to have to be sucked into a very embarrassing position of taking that 25 basis points off the table, not too much longer after they put it on the table.

To me that was a valuation change that was unexpected by me. And to me we're at the point where it's clear that at least domestically the marginal impact of ZIRP and quantitative easing is probably value disruptive to the economy. And there will come an "aha" moment when investors realize that. And we'll see you know very disappointing earnings growth coupled with valuation declines of some extent.

Energy Panel

Rick Rule (MC), Sean Brodrick, Nick Hodge, Marin Katusa

Rick Rule: The thing that really differentiates this cycle from my point of view — and I'll be asking the panelists about this in terms of their own points of view later — the thing that differentiates this bear market from prior bear markets in my own experience is that this bear market has been singular in the sense that at least in the commodities space we have depressed demand for everything. The first real bear market I suffered was the bear market of the 1980s which was different.

We didn't have constrained demands so much as we had a surplus of supply — a supply that was brought on in the great bull market of the 1970s which so many of us recall with such fondness. The truth is as we like say in New Orleans the cure for a bear market is a bear market. The cure for a bull market is a bull market. Or in other words the cure for high prices is in fact high prices. And that's the way bull and bear markets usually go. This is a complicated one because the prices have fallen.

The prices have fallen substantially to market clearing prices. But the truth is that there's a real weakness in demand. And one of the things that I'm going to prime my panel for as a question that they're going to be asked later on is where and when will demand reappear? And which commodities will it reappear for most dramatically and soonest? But now that you're thinking about it I'm going to ask you a different range of questions. First — but I wanted to set the stage.

One of the things that strikes me is that I believe personally if you look at the total cost of production in North America that includes the cost of capital that today's oil price doesn't cover the total cost of capital for North American production in any basin. And so I'd like people to comment on that. I'd like people if they have the ability to answer either with regards to the median or the mean — the median or the mean total cost of production in the United States and in Canada.

And if there are any obvious anomalies by way of specialty or basin let me know. And Byron I think I'm going to start with you. Total cost of production in the United States, Canada — any specific basins.

Byron King: Well I tend to agree with you the total overall cost isn't sufficient to pay it all back. But neither were the original railroads you know 150 years ago or 100 years ago or whatever. It's not the person that built the railroad who made the money. It was maybe the second or the third or the fourth owner who made the money. And I think that for much of the independent and the smaller at least parts of the industry — I'm not talking about the Chevron and Shell and Exxon end of things.

But for the mid-tier and down I think that yeah they have immense financial problems, immense financial overhangs. But investment wise that's not what you need to worry about. You need to worry about who's going to be the next owner or the owner after next because they're going to make the money. All that sunk cost; that's going to get dealt with in bankruptcy court. Or that's going to get dealt in write-downs, write-offs and marking things down when the time comes, which is like now.

So you know that's a good question to ask but then it moves you into a whole other way of looking at things which is that you need to look at not this owner but the next or the next, or the owner after next.

Rick Rule: Do you have a sense — and feel free by the way to say no because nobody knows the answer to every question. Do you have a sense — a hint — as to what the total cost of production for public companies in the United States is? I know that you follow American markets more than Canadian.

Byron King: Well you know it depends again what basin you're in. But I've seen numbers between $20.00 and $30.00 a barrel that people can keep the lights on and do very well.

Rick Rule: Marin?

Marin Katusa: Okay we need to differentiate total cost versus cash cost.

Rick Rule: No, no, no not cash cost.

Marin Katusa: No I know but –

Rick Rule: Total cost of production including –

Marin Katusa: It's irrelevant. It's a theoretical –

Rick Rule: cost of capital.

Marin Katusa: Like last year we debated when I said it's going to go lower for longer. And I'm glad there are people that take notes so I can brag about my one right call. The reality here is that there are thousands and thousands and thousands of wells that are drilled. And they can come online within three days by completion. So the total cost — Rick is 100

(Continued...)

"The prices have fallen substantially to market clearing prices. But the truth is that there's a real weakness in demand."

"...if you're taking out debt to drill oil that costs you $65.00 or $70.00 a barrel and the price of oil goes to $45.00, which it did, it doesn't matter if the technology is going to improve over the next five years. Your stock still gets wacked."

percent right when he's saying the total cost — You'd probably need about $65.00 or $70.00 total cost all in. It doesn't fly.

But the reality is thinking about there's a whole lot of thousands of half-built houses. So now it comes down to that differential. That's what Byron's talking about. So that's correct. For example in the Bakken and a lot of people don't know that it's three companies that produce 27 percent of the production. So you look at the lowest cost quartile. It's a difficult question you're posing but the reality is there are a lot of companies. The cash cost — remember from this time last year they've dropped costs by about 20 percent.

That's a big difference. And if you look at the actual number of horizontal rigs drilling they're nowhere near as down as the conventional vertical rates. So that's what you need to focus on, like I talked about last year. Don't focus on the Baker Hughes overall drill rig count. It's like an old computer. My analogy last year was a computer from five years ago is nothing compared to a computer today. A computer today is five computers of five years ago. That's like the horizontal fracks today. So it's a totally different game.

Rick Rule: I don't think I got an answer.

Marin Katusa: I did. No the answer is $65.00 total cost but that's irrelevant because it's down to cash costs and the lowest cost quartile in the shale in the U.S. is probably around $30.00 to $35.00. And then in Canada remember they've got the currency crisis advantage at a 33 percent weaker dollar. So they even have an advantage there also.

Rick Rule: So Marin would you say that total production costs including return on capital employed — because assuming these guys are going to be producing four years ago they have to earn their cost of capital. Would you say total production costs in the United States or in Canada are cheaper?

Marin Katusa: So historically you're going to look at it and in the U.S. it's going to be cheaper. Why? Because it's all about growth, growth, growth and innovation through technology. And they have to survive. So there's more infrastructure. There are more companies. There is more capital — lower cost of capital — going into U.S. so it's going to be cheaper in the U.S. In Canada the big, big projects like the oil sands are very high CapEx cost. And then their cash costs are a lot lower. So once they build it they can produce at a lower price.

Rick Rule: Nick what's your sense?

Nick Hodge: I think $65.00 to $70.00 is the right answer. I've seen Bernstein Research peg it at $71.00 and I like their numbers. But I would say that it does matter and it is relevant as opposed to Marin because technology is improving. And costs will go down. But it didn't matter over the past year right? They didn't drive them down low enough fast enough that they took on to drill the wells. It wasn't repaid back fast enough. The decline rates in the Bakken were too precipitous to overcome the economics of that beast that we talked about as potentially being a Ponzi scheme on this stage last year.

And so you know if you're taking out debt to drill oil that costs you $65.00 or $70.00 a barrel and the price of oil goes to $45.00, which it did, it doesn't matter if the technology is going to improve over the next five years. Your stock still gets wacked and they did.

Rick Rule: Sean.

Sean Brodrick: Okay I just want to say that there is no right answer to your question but I will give you the right answer to your question. Also I was the only person on this stage I guess who wasn't here last year. Therefore I'm the only one who was 100 percent correct. *[laughter]* Now one thing I would say is it really varies from company to company. Occidental which is one of the ones we recommend in Oxford Resource Explorer just reported earnings. And one of the interesting things about the earnings: They are quite cash flow positive in the Permian.

They do very well there. Costs are cheap. But the Bakken is so bad they've decided to sell everything they have in the Bakken because they can drill six wells in the Permian for what it costs to drill one up in the Bakken — I mean what they get out of it. And so I think it really depends on the company. I have found companies that can make money at recent prices. I think I've found companies that can make money at even lower prices which we could see. But there are certainly some companies who still have to go through some serious adjustments.

Rick Rule: Twelve months from today we're all back here next year: one oil and gas stock that will make you proud?

Byron King: Well watch for opportunities but I mean I'm already proud of Chevron. I mean six weeks ago we bought it at $74.00. Now it's at about $86.00. We've already made some money on that one.

Rick Rule: Marin?

Marin Katusa: I don't have an answer for that one Rick. We have one in our fund and I think it's way too risky for most people here. It's a play on Mexico. It's led by Ian Telfer who is the chairman of Goldcorp. And that's either a hero or a zero. It's called Renaissance Oil but that's a punt. So I'm going to use a punt as my answer. It's the only one we have in our fund.

Rick Rule: Nick?

Nick Hodge: Magellan Midstream Partners — MMP. A $14 billion market cap paying 5 percent right now. It operates in the Permian basin which we already learned is the lowest cost producer. And it also operates not only as a refiner but a transporter.

Rick Rule: Good. Sean?

Sean Brodrick: If you aren't buying Exxon on the dips you're really missing an opportunity. It is the largest oil company and it won't shock you in the next year. But it's going to do pretty damn well. They take the cash they have and they seem to have buckets of cash falling out of closets there. And they use it to buy their own shares. They have sworn to protect their dividend. If I was thinking for a stock it is going to be safe and potentially grow quite well that would be the one.

But if I wanted to move down the scale, and I'll hope you allow me to, Occidental is doing extremely well in a very tough market. It's making the tough choices. It has a good dividend. It protects it and it just had a really, really tough quarter. But it made the hard choices to make the next quarters going forward better.

Nick Hodge: Just to throw in maybe an ad lib I think we might be at a low in the panel at a junior resource conference talking about Exxon and Chevron and you know I just find it funny. Most of you are attracted to promos that promised 100,000 percent gains and we're pitching Chevron.

Sean Brodrick: All right let me give you a small one. All right it's called Trans Ocean Partners. And what they do: They are a drop-down from Trans Ocean. They had to take all their offshore rigs and had to stick them somewhere. They stuck them in Trans Ocean Partners. Now everyone is worried about this because they have contracts. They have contracts through the end of next year that pays these extraordinarily high rates for these rigs which is why they can have a dividend yield of like ten percent. Or it should be distribution yield.

But we've done very well with it because if you're looking for someplace that's going to spin off money in the next year that's a great place to be. And I believe around maybe the third quarter of next year we'll really start to see some action in pricing.

Rick Rule: We're going to talk about uranium now. I mean we've gone — I don't know what's south of despise but we've gone south of despised. I'd like each of you to give me a couple minutes in terms of where you see the uranium business now and whether you see any hope for it whatever.

Sean Brodrick: Sure. You know my subscribers have made a lot of money in uranium. And recently they've lost money in uranium. We keep hearing that there's going to be this tremendous need for uranium nuclear power in Asia. But it keeps getting pushed out further and further. And of course yes the Japanese are actually switching on their reactors again so that's good and all that stuff. You know I think that if you want to take a long shot sure, why not? I think what happened Japan really shook up a lot of people.

You know the Japanese aren't supposed to be any slouches and yet they ended up with multiple

(Continued...)

"We keep hearing that there's going to be this tremendous need for uranium nuclear power in Asia. But it keeps getting pushed out further and further."

"Yes I like uranium. I think if you have the guts to wait it out and you have a little bit of dry powder I say buy in tranches. Average in and wait it out. I think it's going to be good."

meltdowns. So I think that really put a stain on the industry. With that said the new reactors are very safe — or they're supposed to be. And so you know if you want to buy something like say Cameco — which is cheap — then I would buy something like that. If you want to buy one of the little ones — and I know you guys like the junior mining space — then you can go for it. But I think at current prices I would buy the big one personally.

Nick Hodge: I like the uranium space. I'll be giving a talk about it on this stage tomorrow. I like some of the companies that are here and I think the setup is just too good right? We're in the newsletter business. As Rick said we're early. We're always too early because we see the writing on the wall. We read the news six hours a day. We follow the numbers. And the numbers — I'm telling you — are there. There's a supply deficit looming. By 2017 mined supplies aren't going to be able to keep up with demand.

Yes, Japan is restarting two already, five by January they say which is 10 percent of their 43 reactors. China is coming on in a big way — something like maybe 65 under construction right now, and hopes for 100 or so more. Everybody wants nuclear right? Argentina just got nukes. Nigeria just got a nuke. Poland has plans for nukes. Bangladesh has plans for nukes. It's not going anywhere. It's clean.

You talk about how much coal is hated. Uranium is clean. It doesn't produce a single ton, a single pound of methane gas or carbon dioxide. And it's safe. You know that sounds silly to say but nuclear energy is the safest form of power the world has ever seen. It has less injuries and deaths per kilowatt hour of electricity generated than any other form of electricity ever. It's safe and I think the setup is just there for the clean energy future that's coming and the transition that's coming in Asia and really around the rest of the world.

So I like uranium. I like Cameco. I like Fission. I like Denison. I like UEC which Amir was just talking about in his talk. Yes I like uranium. I think if you have the guts to wait it out and you have a little bit of dry powder I say buy in tranches. Average in and wait it out. I think it's going to be good.

Marin Katusa: I think uranium is a few years ahead of the other commodities in this deflation for resources. Four things to factor on: the DOE, Obama's changed the historical rules of the DOE. He's actually selling twice their actual limit. And obviously he's doing it at an historical low when you adjust for inflation rather than at a high, because governments will always do the opposite of what you should do. So they've got less than seven years left in what they're selling on right now. That's something to think about.

It took 50 years to build up that stockpile and Obama is going to blow it out in less than 7. Number two, the Japanese reactors, but like I said this is going to be slow. I've done business with the Japanese, Mitsubishi. I've got a good insight with them and everything is very slow. They're very slow. So expect more of that. The big one — the wild card nobody's talking about is — Nazarbayev. He's approaching 80 years old. He's been one ruler for over 45 years in Kazakhstan.

Sean Brodrick: I would like to answer a question that we haven't been asked which is what I think will do well for the next five years. Sorry to go all MacNeil Lehrer on you but lithium is something I think people should really be paying attention to. It's picking up. And yes it can get overbought especially in the junior space. I like a company called FMC because it not only does lithium but it also does agriculture and chemicals.

It got whacked hard down in Brazil but I think Brazil is turning around. That'll look really good. Zinc looks good because Glencore imploded. Boy that was spectacular huh? But I mean zinc looks good. So there are some opportunities in zinc. And I'll just use that to get to my last one. One of my colleagues who has been here most of the day told me, "Don't talk about silver. Don't talk about silver. Everyone's talking about silver." I will say that I do like silver.

And there is a silver zinc company called Impact Silver down in Mexico. You can check that one out. That's junior enough for you. And I think silver, zinc and lithium are three things that I'd like to be in for the next five years.

Marc Faber

"Academics at Central Banks who don't understand Economic Problems will always have Solutions"

Marc Faber: …Basically, what we're faced with is a western world, and when I talk about the western world, I include Japan, Europe, and the United States that will have a generation of people now that will die poorer than their parents and inflation adjusted or in real terms will earn less than their parents.

On the other hand, we have in emerging economies where 80 percent of the world's population lives, a population that has now a generation that will live substantially better than their parents, and they'll earn more than their parents.…These people will live a better life, and so we have a huge shift in the balance of economic power from the western world that is basically tired to a new world that is very aggressive and growing rapidly. I'm here not talking necessarily about the next 12 to 18 months.

I'm just talking here about this shift that has been occurring and that will occur in the long run. Along with this shift in the balance of economic power, you will also have a huge shift in geopolitical power. The new countries, they will have more say, and what's happening is not an absolute decline of western society necessarily, although it could happen, but a relative decline. So if you look at the U.S. say over the last 200 years, probably reached a peak in terms of economic power and political power and military power sometimes in the 1960s relative to the rest of the world.

…Remarkably, this change I'm talking about occurred at the incredible speed partly because as you've heard just now and before of new technologies that can essentially transfer information and knowledge instantly from one place to another. But I also think there are some reasons why the relative decline of the western societies has been so abrupt.

Marc Faber

…You can see industrial production over the last 15 years in the western world in Japan, U.S., Europe is basically flat. In emerging economies since 2003, it's doubled. Or you take crude oil demand over the last 25 years. It's almost doubled in emerging economies where as in the western world, it's largely flat.…And this is a very remarkable picture because when I moved to Hong Kong in 1973, the saying was always if America sneezes, Asia catches a cold because most of the exports from Asia around the world went to the U.S. Japanese exports, Korean, Taiwanese, Hong Kong, Singapore all went to the U.S. But over the last 15 years or so, there has been a huge change in the pattern of exports.

It's not that the exports to the U.S. have gone down, but they've gone up substantially more towards other countries. So you can see here emerging market exports to EU, U.S., and Japan as a percent of total export is coming down from over 50 percent in year 2000 to now 34 percent. And the importance of the emerging world is visible when you look at imports of emerging markets as a percent of global imports. They were here ten years ago. Less then 25 percent were over 40 percent. What it shows is really the weight that emerging economies have within the global economy. Or you take GDP per capita, this is in real terms.

Since 1980 in China its grown roughly 13 times. In the U.S. GDP per capita in real terms and in western Europe is largely flat for the median household, for the median income recipients. It's frequently down. Or you take future growth. Smart phone sales in Asia will grow strongly in the next few years, where as in the western world and in particular in the U.S. because of the market saturation it will hardly move. Or you take as an example, and I'm mentioning this because many people always say, "We the U.S will not be affected by a slowdown in China," or some multinationals

(Continued...)

"Along with this shift in the balance of economic power, you will also have a huge shift in geopolitical power."

Global Investing Panel

have claimed until recently that they wouldn't be affected.

…So what this means is we have a completely different trading system today in the world than existed say until 20 years ago, and certainly existed in the 19th and early part of the 20th century, where essentially all the exports from emerging economies went to the industrialized countries of the west including the U.S., and they imported from the U.S. and from Europe goods.

Now the trade is bypassing to a large extent western Europe, Japan, and the U.S., and occurring between emerging economies. It's a huge change. China is the largest trading partner of over 120 different countries. The U.S. is only the largest trading partner of 74 different countries. So this is a whole new system, trading system, and geopolitical system.

… Chinese wages now exceed Mexican wages. I'm bringing this up because there is this slowdown I was referring to in China. The credit bubble is gigantic. You can see here in year 2000, total debt was 120 percent of GDP. We're now close to 300. And shadow banking has gone up five times in the last five years.

So there is a credit bubble. How do you invest in this environment? Well first of all, I think that what has driven global growth is no longer there, namely China, and emerging economies, that is not going to grow or go anywhere for the next say 12 to 24 months. Actually, I could see a situation where it's not going to recover much for much longer. Asset markets, with very few exceptions, are grossly inflated.

Avoid cash, well maybe cash. Dennis Gartman said this morning that he's super bullish about the U.S. dollar. I don't share this view, and I don't think that short-term rates will go to three percent. The whole economy would collapse at three percent Fed fund rate. The ten-year Treasury note would yield say close to five percent, and the 30 year over six percent. Mortgages would be back over six and a half percent.

You know what that would do to the housing market and to the government debt? Because at the present time, the average cost of the U.S. government debt is less than two percent.

…Emerging markets have grossly underperformed. I think from here on they can outperform because of valuations. The margins in the U.S. corporate margins are at the record where as in Europe they're not that high. So maybe European stocks will outperform U.S. stocks in the next few years.

Doesn't mean that they'll go up. I think all stocks would rather go down than up. Emerging market stocks over longer period of times have done well. They are now not performing well and they may still go lower in U.S. dollar terms, but I think the valuations are now approaching say a buying range. It's not a strong buy. They're not absolutely inexpensive. It's just relatively inexpensive.

Global Investing Panel

Adrian Day (MC), Doug Casey, Marc Faber, Dennis Gartman, Frank Holmes

Adrian Day: There's been a lot of predictions and talk about the Chinese market crashing because of the all the ghost cities and so on and so on. What's your outlook for the Chinese economy, and also, separately, perhaps the Chinese stock market? That's a different issue, but what's your outlook for the China economy?

Is it going to slow dramatically? Is there a recession ahead? And what are the implications? That's important. Who wants to take that? Frank?

Marc Faber: I think already

18 months ago, it was quite evident that the Chinese economy was going to slow down very considerably. We have a huge credit bubble in China as a percent of the economy. Credit has gone up by more than 50 percent since 2010.

Shadow-banking credit is up 5 times since 2010. And these are frequently lower quality credits. So, basically, if you study economic history, no country has had this kind of credit expansion within such a short period of time. And now, it has become very obvious that the Chinese economy is not growing at 6.8 percent or 6.9 percent as the government claims. Just as an aside, railroad freight traffic is down 17 percent year on year.

…And at the present time, the growth rate is probably less than four percent, and that has, obviously, a huge impact on all the resource producing countries in the world since China is a large importer of industrial commodities. And in turn, this weakness backfires on China — the weakness in the resource producing economies — because they are large importers of goods from China, and of course, also from the U.S. and from Europe. So, you have essentially, a global contraction at the present time. In most emerging economies — there's no growth to speak of.

Dennis Gartman: I think one of the things you have to understand is one of the most important changes in global society has occurred in the last 24 hours with the announcement by the government in China that they have rescinded the overtly dismal decision put into effect in, what? 1977, if I'm not mistaken, to only allow one baby to be born per family. And they have rescinded that, finally. It is now an official document. They had, at the margin — at the edges — allowed a few people to have more than one child, and can you imagine the number of baby girls that had been killed over the course of the past 35 years in China?

The fact that they're going to allow two children or more per family, I think is one of the greatest growth circumstances that we have seen. Think of the number of houses that are going to have to be built. Think of the numbers of baby carriages that are going to have to be purchased. Think of the milk that's going to have to be bought. Think of the additional food that will have to be imported.

So, I look optimistically in broad terms against pertaining to what's happening in China. And I think the decision arrived at by Beijing the last 24 hours should be applauded. Instead of killing baby girls, they're going to be growing them. Instead of allowing young men to not have the civilizing influence of young women, they're going to be allowing it. It's going to change society in China dramatically, and it's going to change the world, and it just went into effect yesterday.

Doug Casey: Well, like Marc, I lived in Hong Kong for years. I bought an apartment during the China crisis in Hong Kong in 1986. I sold it a few years ago for 20 times what I paid for it. That gives you an idea of the nature of the boom in the Orient. And what's happened in China since Deng Xiaoping in 1980 has been one of the very greatest economic events in the entire history of the world.

It's been a wonderful, fantastic — the growth there is real. That's the good news. The bad news is that there have been huge distortions and misallocations of capital that have been cranked in to this very rapid expansion, which has been directed, to some degree, by the state where these banks have asked to lend money on all kinds of uneconomic projects. These things will have to be unwound. Maybe they're starting to be unwound now.

So, I think it's going to be rough times in China for the near future, assuming that the U.S. doesn't provoke a war with them, also.

Adrian Day: Let's talk about the dollar for a second because that's obviously critical. If you're investing internationally, investing globally, what happens to the value of the currencies is critical. What do people think about the dollar going forward? You know, 6 months, 12 months — what's the outlook?

Dennis Gartman: I'm so ridiculously bullish on the dollar it's frightening. I think that we are — to keep it in baseball terms here; we are in the middle of the World Series. I think we're in about the fourth or the fifth inning of what obviously will be a nine-inning ballgame. I think we'll be surprised at how strong shall the

(Continued...)

"The fact that they're going to allow two children or more per family, I think is one of the greatest growth circumstances that we have seen."

"The Euro? I think clearly it's going well under parity to the U.S. dollar and I wouldn't be surprised if over the course of the next five years that we see it trade $0.85."

dollar be. And all of my good friends in the business have been denigrating the dollar for the past several years and it keeps blowing up in their face.

I think it's — the monetary authorities here in the United States, despite the fact of QE one and QE two, expanded the balance sheet of the Fed from $800 billion to $4 trillion. But over the course of the past 14 months, the adjusted monetary base has not grown at all. In fact, it's declined.

We are not growing the dollar value of the dollar or the amount of dollars in the system, whereas the Japanese and the ECB are clearly erring upon the side of aggressive monetary ease. I think in that instance, the dollar goes demonstrably higher, and I think it will — as it goes higher, it will be met by a great wailing and gnashing of teeth on the part of the industries here in the United States.

The farmers will be objectively and abjectly disdainful of that strength, however, they will get used to it. It will make them better. And I think we'll be surprised how far the dollar goes before it's done.

Marc Faber: Dennis, may I ask you —

Dennis Gartman: Yes.

Marc Faber: – since you're so optimistic about the U.S. dollar, say, in a years' time, what would your target be against the Euro and the Yen? Or would they move in similar ways and the dollar appreciates against other currencies? Can you clarify this for us?

Dennis Gartman: Sure. Absolutely. When I first started trading foreign exchange in 1974, I can remember trading spot dollar Yen at 365 Yen to the dollar. For me to believe that we can see spot dollar Yen trade at 150 or maybe even 200 over the course of the next three years is easy for me to understand. It's easy for me to see.

So, I think that we'll see at least 150 over the course of the next two years, Yen dollar and perhaps 200 Yen to the dollar over the course of the next five years. The Euro? I think clearly it's going well under parity to the U.S. dollar and I wouldn't be surprised if over the course of the next five years that we see it trade $0.85. So, those are my numbers and I'll stand by them.

Adrian Day: Frank, you mentioned the refugee business in Europe. …Do you think this refugee crisis has any fundamental, economic impact for Europe? Is it important from an economic point of view?

Frank Holmes: I think it's a big drain on the social welfare system, because immediately, you have all these predominantly men. There's something like, 95 percent are men, even though *60 Minutes* tries to look like it's all couples with little children. In fact, there's very little in those data points. But I think there's a big social stress, and the cost for security, the cost for police, the cost for — so, I think that will be a huge burden. But what's interesting — does this mean Trump gets into power?

…But I do know that when Justin Trudeau became the prime minister, immediately, you could see all the infrastructure stocks start to take off. And the big reason for that is because he's promised to have huge deficit spending for infrastructure to retool and rebuild Canada. So, from that end, where do you make money in Europe, et cetera, is going to from probably security, besides cyber security.

Adrian Day: Well, you mentioned the U.S. election — maybe each of you can say which potential or likely presidential winner is going to have the biggest effect on markets. How should we be thinking about investments from the point of view of a Hillary election — which won't happen — or Trump? What will these people mean for the markets?

Frank Holmes: If Hillary gets in, I think you want to have lots of tax-free bonds. *[Laughter]*

I think it was Marc Lichtenstein that had a report showing all the politicians and what their tax breaks are going to do, and clearly, she had the highest tax rates and tax increases. So, that would be — and then, what industries she's going to go after. So, I talked this morning about the jet's ETF we created, but she's anti the airline industry because what they're charging and healthcare. So, one just has to be sensitive because government policies are a precursor to change. And they provide tremendous risks and opportunities.

That ability — that's why I'm so curious about Argentina. With the new government policies there and new leadership, that country could be a huge winner in Latin America.

Adrian Day: Are the assets cheap there in Argentina right now?

Doug Casey: Argentina is probably — if you buy your currency on the black market, which everybody does — you don't use credit cards down there because you pay the official rate — it's probably one of the very cheapest countries in the world for a high standard of living. It's really, really, very cheap. But I'll make a comment about this, about the elections. I disagree with what Dennis said about good times next year. I think we're going to be entering the — well, we're going to be well into the trailing edge of the financial hurricane.

People are going to be angry. Whoever is the incumbent, whether it's his fault or not, gets blamed. Therefore, the Democrats are out. They'll vote for somebody new, the Republicans, and since Trump has certaint…I think Trump is going to actually get the nomination. And if he runs — even against Hillary, who hopefully will be in jail by that time, but *[Laughter]*.

Adrian Day: Sorry, I did not understand — who did you say, "hopefully is in jail"? Hillary?

Doug Casey: Yes.

Adrian Day: Or Trump.

Doug Casey: Well, all of them belong in jail of course, but...

Adrian Day: And what impact — I mean to be serious — what impact might a Trump presidency have on markets — both the U.S. and global markets?

Dennis Gartman: I think he will frighten the world so dramatically. He's an interesting fellow, but I don't want him anywhere near the black box. I just don't. My wife is a great supporter of him and I love my lovely bride, but I am frightened by the gentleman, to be blunt. Who's going to win?

Adrian Day: Well, I tell you what — let's wrap this panel up as we normally do with some specific recommendations — or big picture recommendations if you like. So, I'd like each person in turn to take about a minute and a half, if possible, and just tell us what they would recommend people do right now with their money.

Dennis Gartman: All right. I'll start since I'm here. I think the monetary authorities in Japan and the ECB have no choice but to continue their expansionary policies. I think the political circumstances in Europe demand that they do. The immigration circumstances that are taking place have to be met by expansionary policies, and, at the same time, I find myself — I'm not normally a gold bug. I'm not a gold bug, and I have no intention of owning gold in U.S. dollar terms.

…I think owning gold funded in Euro terms, owning gold funded in Yen terms, is the best trade for the next several years. If you have owned gold — don't hold me to the numbers because I don't have them in front of me right now, but if you've owned gold in U.S. dollar terms over the course of the last two years, you're down, I think, 11-12-13 percent. If you've owned gold funded in Yen terms, you're up about 24 percent. And if you've owned gold funded in Euro terms, you're up about nine percent.

Marc Faber: Well, as I indicated earlier, I think that the Indochinese economy has a tremendous potential. Exports in Cambodia, admittedly from a low level, were up 20 percent. And as I shall explain later on today, basically, there's a lot of money flowing into China for political reasons. The Chinese want to obviously colonize, essentially, Indochina. Not politically, but economically.

And at the same time, the Japanese, the Koreans, and the U.S. do not want that to happen. So, everybody's pouring money into the region and that leads to very strong inflow of foreign direct investments, and those are now more and more equity investments in the case of Vietnam. One of the largest companies in Vietnam, incidentally — I've just written about this because I've been mentioning that company for a long time — Vietnam dairy product is up 50 percent in U.S. dollar terms this year. It's one of the largest companies listed there.

Secondly, I would look at India. I don't think that stocks are that inexpensive, and I think that

(Continued...)

"I think that the Indochinese economy has a tremendous potential. Exports in Cambodia, admittedly from a low level, were up 20 percent."

"The most important danger that you face is not an investment danger; it's a political danger. So, you should diversify your assets out of your home country. You should own real estate in a foreign country".

the country has numerous problems, but the corporate sector is relatively well around. And the country, in my opinion, can grow, I'd say, conservatively. Indians would disagree with my view, but it can grow at conservatively five-six percent.

Frank Holmes: As you know, as a gold fund manager, I've always advocated that people have a 10 percent weighting in gold and gold stocks and rebalance each year, and I think that gold stocks are down one standard deviation. And I think that this will be a bottom year for a lot of the gold mining companies as they write down and written off things and consolidated that any pop in the price of gold will have a huge impact on their performance.

The other one is near term. It's a fund that — near term is NEARX. Near-x. It's where I have a lot of my money for cash and it is one of 25,000 mutual funds in America, only 25 have been up for every year for 20 years in a row. So, that's two stock market crashes and that's two surges of interest rates.

This fund has always been positive. Touch wood it will continue that. And it's a stable, short-term, tax-free fund that uses a quant model for when to deploy cash.

Doug Casey: Well, this is a global panel, and I think that as dangerous as the markets are at this point — after all, it's been a bond bull market for 30 — almost 35 years now. I hate to buy at the end of a bull market like that. The most important danger that you face is not an investment danger; it's a political danger. So, you should diversify your assets out of your home country. You should own real estate in a foreign country.

And number two — especially at this time — you can't go wrong buying gold — especially gold in your own possession. And some silver, too, would be very good. So, that's very simple advice — diversify politically and make sure you have a lot of gold. And I'd have more than 10 percent, Frank. I think you're underweighting it.

Charles Krauthammer

"Politics 2015:
Year Of The Insurgents"

This is, without a doubt, the craziest political season I've ever seen. I have to remind myself that about 30 years ago, I did work in an actual insane asylum, so I'm quite prepared. Around noon every day, I'd have to remind myself that I'm the sane one. That happens to me about once a day too in the current political climate.

So I'm going to talk to you a little bit. I realize when I spoke to you last — and this, I think, is my fifth year — it was right before the 2014 elections. This has been the most wild political year from then to now that I've seen in the 30 that I've been commenting on politics. I mean consider this: One of the two major parties, its major challenger for the nomination is a 74-year-old socialist Brooklynite from a dairy state, who honeymooned in the Soviet Union.

In the debate on Wednesday, Lindsey Graham was talking about Bernie Sanders and said, "Yes, there's a man who honeymooned in the Soviet Union and never came back." *[Laughter]*

So he's your number one challenger, which tells you a little bit about the revolt of the — it's the revolt of the base against what is seen as the weak and unreliable middle. It's happened on both sides of the aisle, Democratic and Republican, although I think the democrats have gone a little bit overboard with their early worship of Bernie Sanders, whose main claim to fame is having served for 25 years in the Congress and left not a trace. That's hard to do, *[laughter]* but he's managed to pull it off. Until about two weeks ago, he never had a chance to win the nomination.

I think I said about four months ago on the air that Kim Kardashian had a better shot at the nomination than he did, and she isn't running this year. But the size of the crowds he drew and the fact that he was touching all the liberal erogenous zones in a remarkable way, made him quite a character and spoke a lot about where the Democratic Party is. Now, as of a couple of weeks ago, there was still some question about the outcome of the nomination. There is none right now, but consider this proposition that unless she is indicted, Hillary Clinton will be the Democratic nominee. Of how many presidential candidates could one ever say that?

Now, she won't be indicted because the Department of Justice under Obama is never going to do that. Just a week ago, they basically took a pass and said they will not even indict, investigate, or do anything about the IRS scandal. So Lois Lerner is going to get a pass. That was sort of a *prima facie* evidence of government corruption of the highest order. So if they're not going to go after Lois Lerner, who is pretty low down on the pecking order, they're surely not going to go after Hillary Clinton unless something totally egregious surfaces in her e-mails.

I actually think that the part of the e-mails they're most worried about, and I'm sure the parts that they obliterated — the 30,000 e-mails that she unilaterally deemed personal and, of course, erased — I suspect that the most damning part of that would be references to and connections with the Clinton Foundation and quid pro quos. Whether that's ever recovered or not, I don't know, but in the absence of something like that, something that would be so embarrassing that either the FBI investigation would have to recommend prosecution or with that recommendation being turned down for obvious political reasons by the Department of Justice, you'd get a series of resignations among the career lawyers of the FBI, which in and of itself, would become a major scandal.

If those things don't happen, and I suspect the chances of those things happening are very small, she will be coronated next year in Philadelphia. In fact, it'll be more like a worship service than a coronation. The hold that the Clintons have on the party is quite remarkable. So you've got on the one hand one party, which has gone so far left that the chief challenger is openly socialist, something which is unusual in American political discourse. You can be a closet socialist, but I guess we're way past the don't-ask-don't-tell historical part of that. Right now, it's, you can come out and say it. That tells you something about the state of the Democratic Party post Obama.

One of the things I want to touch on is the effect — and I think to understand where we are now, and to look into the dynamics of the current race and where the two parties stand; there are two phenomena that I think are very important. One is the Obama presidency itself and its effect on American politics, not so much the policy side. I mean that's another half day of discussion, but just its effect on the cross current of politics and its effects on the ideology of the two parties. That, I think, is a major issue that you need to look at to understand where we are now.

The second is to look at what was a direct reaction, almost a Newtonian counter action to Obama's, especially his first two years of hyper-liberalism when he had control of the house and the Senate, and he was able to do certain things that hasn't been able to do since. But the reaction to that liberal overreach, namely the Tea Party and its fellow travelers, I think is the other really important dynamic of the last seven years, and the one that has had a direct influence on what's happening within the Republican Party. So let me just spend a minute on Obama's ideological influence.

Obama, in my view and some of you have heard me talk about this, is not your ordinary liberal. He's out of the mainstream of American liberalism. You know what a liberal is? It's somebody who doesn't care what you do as long as it's mandatory. *[Laughter]*

But that's not ambitious enough for Obama. He really is a social democrat. He is a Bernie Sanders without having declared it, and look at what he tried to do. He accomplished some of what he tried to do, but he basically — and he said this in his first State of the Union Address — he was out to radically change America, transform America. He was very specific as to how he was going to do it in three ways: healthcare, education, and energy.

Well, healthcare we know. He's essentially nationalized and centralized decision-making in Washington for one-sixth of the American economy.

Education: he's done some. A lot of it has been below most people's radar. He did nationalize student loans. He destroyed the for-

(Continued...)

"Obama, in my view and some of you have heard me talk about this, is not your ordinary liberal. He's out of the mainstream of American liberalism. You know what a liberal is? It's somebody who doesn't care what you do as long as it's mandatory."

"It is passingly strange to hear the Democrats railing against the state of the economy when it's been in their hands for seven years. The reason they're doing it: They have nothing else."

profit higher education sector. He wants to federalize and nationalize higher education, meaning college as the way it's done in Europe.

The only thing I agree with is in his second inaugural address he called for a universal preschool. I'm sympathetic to that because I think that the five-year-olds of America are having all too much fun. *[Laughter]* It's about time they were regimented and herded into government-run institutions where they'd be kept all day and forced to eat Brussel sprouts at lunch. *[Laughter]* So that's the one area where we have some kind of overlap.

Then the third area for him was energy, as you know. You know very well, he took a shot at Cap and Trade when he had control of the House, when he had control of the Senate in his first two years. But it was so radical that even when he controlled the Congress, he wasn't able to get it through.

Now, as you also know to your chagrin, he's been trying to enact that unilaterally through executive orders and especially by regulation through the EPA and the Energy Department. The good news is that — he can do that, and he's done some of that, and they have tried to kill coal, to restrain fracking, and to put all kinds of other restraints. But the good news that can be canceled with the stroke of a pen by a new president on inauguration day and the regulations could be rolled back.

…On domestic issues, despite his successes, I think most of it is repealable and will be repealed in time, in part because this is and has been and remains a center right country. Obama vastly overreached in his agenda. He was a young, ideologically ambitious and arrogant president, and he wanted to do what he wanted to do. I think what he realized was that that cannot really be done in the United States.

Our politics are fought between the 40-yard lines. In Europe, they fight from goal line to goal line. They have real fascist parties, real communist parties. In America, we have two centrist parties: one right of center, one left of center, and the playing field is usually between the 40-yard lines. He tried to push the ball into the red zone. That's not intended as a pun, but I think it'll work. *[Laughter]*

…What's going to happen, I think, these presidential elections, the one we're in now, the ones to follow will hinge on the quality and the talent of the presidential candidate. So I think on ideology, on policies, the country remains comfortably conservative.

There's one thing that's very interesting about what's happening on the Democratic side in this cycle. If you listen to Hillary or you listen to Bernie, what are they campaigning on? They're campaigning on income and equality. They're campaigning on the squeezing of the middle class. They're campaigning on a slowing economy, a decrease in immediate income. They're campaigning on precisely the issues that the opposition is going to campaign on.

I mean who has been in office the last seven years? It is passingly strange to hear the Democrats railing against the state of the economy when it's been in their hands for seven years. The reason they're doing it: They have nothing else. They don't have the kinds of issues that I think would be attractive. The economy is always the major issue in an election, and they have to deal with the hand that they have. They do it in a way by pretending that they haven't been in office for seven years, and they've never heard of Barack Obama. *[Laughter]*

…Now, the reason that I think they've been able to get away with this is because of the insanity on the Republican side. In other words, I think the GOP will regain its sanity when it picks a nominee, who will then run on the abject failure of this economy, executive overreach, and a lot of other issues, particularly the foreign policy, which generally speaking, foreign policy is not a major issue in presidential campaigns. Almost never is. I can't count more than twice in the last 30 years, but it will be a very important issue in the presidential election. A lot of it can be pinned to Hillary Clinton.

…So those are going to be the issues on which the campaign is fought. The problem is that the Republicans have spent the last five months attacking each other, often in a very bitter and ad hominem way, which has done nothing to help their prospects for 2016.

…So how crazy is this year? …I mean I must say that on the night that Donald Trump made his announcement speech, I was dumfounded. I was on the air that night, and I simply read the passage where he essentially said that Mexican-Americans are, "Drug dealers, criminals, and rapists." Although he did add that, "Some," comma, "I assume," comma, "are good people," which I thought was a nice concession. *[Laughter]*

So I kind of railed at him as a know-nothing xenophobe, which I thought was a moderate way to put it. The only gratifying part of that, because I turned out to be wrong in my assessment of how that would be received — as we all know, Trump's numbers went up. The only upside of that outburst of mine that night was that I kept Trump up all night writing Tweets about me. *[Laughter]* The stuff you know about now: "Loser, over-rated. Why is he on TV?"

But my favorite was his last Tweet of the night in which he said he re-Tweeted what my publisher had put out when my book had come out a few weeks earlier in paperback. So his Tweet read: "*Things That Matter* by Charles Krauthammer, now out in paperback. Book sucks." *[Laughter]* As I noted the next night on Bret Baier show, that was the shortest review I'd ever gotten. *[Laughter]* But I wanted just to show you that when they do the next edition of that book, that will be the lead blurb on the back cover, because I can't think of a higher compliment. *[Laughter]*

You know where I'm going, but in deference to the fact that I'm sure there are a sizable number of you who are Trumpians or Trumpites — I'm not sure what the word is — I'll go easy on that. But you get my drift. I had thought from the beginning that he had no chance to get the nomination. That's no longer true. I don't think he's the leading candidate. Yes, he's leading in the polls, but I don't think he has had the best chance to win the nomination, but he does have a chance.

...If you look at the mainstream media, they've been writing the obituary for the GOP for the last four, fix, six months saying that they're hopelessly split. They're only split because they don't control the instruments of power that they need. They agree on the ends. There's a huge disagreement on the means and as to whether you can enact any of this agenda without control of the White House. Assuming you win control of the White House, that disagreement over tactics disappears, and then we have a real prospect of a real reformed conservative government.

I think we could see a revival of the Reagan Revolution without Reagan. You don't get Reagan every generation. We don't need to hope for a Reagan every generation, but I do think the prospects are bright. I, again, revert always to Churchill in my darker moments, Churchill who said, "The Americans always do the right thing after having tried everything else first." *[Laughter]* So we've had seven years of trying everything else. I think we're going to end up doing the right thing.

Audience: I am impressed by past elections at how the candidates avoid the really serious questions, and in my mind the most serious question we face today is excessive debt. It's a global problem, and it's clearly a U.S. problem. Do you think there's any change that'll be meaningfully addressed during this election?

C. Krauthammer: Meaningfully is the operative word there. Democrats will totally ignore it. If you watched their debate, it was a who can give out the most ice cream, and who is going to put sprinkles on top? That's what they do. That's all they could do. Republicans talk about tax cuts. It's interesting, when the press criticizes the Republicans or when they ask them questions in a debate, "How will you pay for the tax cuts?" have you ever heard anybody ask the Democrats, "How will you pay for the ice cream and sprinkles?" Never.

I don't know that it'll be highlighted by Republicans as a way to bludgeon the Democrats for running up the debt after Obama said it was a — I think he said it was "un-American," the $4 or $5 billion that Bush had increased the debt in his eight years. I think Obama is now up to $7 trillion or

(Continued...)

"I think we could see a revival of the Reagan Revolution without Reagan. You don't get Reagan every generation. We don't need to hope for a Reagan every generation, but I do think the prospects are bright."

"Then I love the fact that when we first heard about the e-mails, I think it was a Tuesday, on the Friday her spokesman came out and said, "There's not a shred of evidence of any wrongdoing." [Laughter] Of course not, she shredded the evidence! [Laughter]"

$8 trillion — not billion — trillion in increased debt. So it'll be used, but I don't think there's going to be a serious proposal.

What I do think will be serious, and this is why I'm encouraged by Ryan in the House — Ryan has serious plans for entitlement reform. Now, you're not going to campaign too much on entitlement reform because you'll be demagogued to death by the other side, and you want to win the damn White House. But you can talk about entitlement reform in broad terms, but they have real plans, not just rhetoric. So, yes, you could get an attack on the debt. It's not going to be a reduction in debt, but reduction in the rate of growth so that you get a reduction of it as a percentage over GDP, which is what counts.

I think there would be serious entitlement reform and tax reform, which would increase growth, increase revenues, and again decrease the debt. So, yes, it may not be an issue in terms of specifics, but it will certainly be an issue for legislation if the Republicans win the White House.

Audience: Always subject to change, right now what would be your top choice for the Republican candidate for president and vice president? Just an opinion.

C. Krauthammer: Well, sure, since we're off the record *[laughter]* and it looks like there are not very many of you young enough to know how to Tweet. *[Laughter]* I always check the median age of my audience before I say anything off the record. I gave a talk to some House interns and staffers a couple of years ago where it was really off the record; there was no press. By the time I got back to my office, which is ten minutes away, my assistant said, "I can't believe you said such and such!" I said, "How do you know that? I was only there?" He said, "It's been Tweeted all over the place." So I'm rather careful on that.

Look, the dream ticket is Rubio/Fiorina. *[Cheers and applause]* You've got everything there. I like the fact that the last names both in vowels. *[Laughter]* But that's just me. Look, Rubio on paper is what you'd what to do to run against Hillary: young versus old, dynamic, doesn't have baggage, and if he does, it's about — what is it? — a fishing boat. You saw that front page *New York Times* story? The great scandal about his finances, that he had a student loan. When he paid it off, he bought what the *Times* called "a luxury speedboat." It was a 24 foot fishing boat for the family that one of my colleagues noted could fit in Hillary's swimming pool. *[Laughter]*

I mean, look, when Hillary launched a campaign, remember with the book tour? She did an interview with Dane Sawyer. She said, "We were broke when we left the White House." She said, "We had trouble paying the mortgages." *[Laughter]* Politics 101: when you're pleading poverty, do not refer to your domiciles in the plural. *[Laughter]* Not a good idea. Then I love the fact that when we first heard about the e-mails, I think it was a Tuesday, on the Friday her spokesman came out and said, "There's not a shred of evidence of any wrongdoing." *[Laughter]* Of course not, she shredded the evidence! *[Laughter]*

On paper, he crushes her. Of course, demographically, he helps to cure the Hispanic problem, but here's the beauty of Rubio, that if you've watched him in the three debates — we've had a lot of candidates who on paper, Guliani, for example, were perfect. There's a guy who has delivered. He has tremendous political talent. I've heard from Republicans and Democrats, and I would tend to agree, he could be the most talented, pure political talent in his ability to communicate in his fluency and his knowledge of issues since Bill Clinton in 1992.

I think as a presidential candidate, there's something about him that I think would be extremely attractive. The beauty of having Carly on the ticket is in this day and age, as we're trying to figure out the next stage of feminism, it remains hard for a man to attack a woman because you run into minefields of language. Look at what she did when Bernie Sanders said, "It doesn't help if you're just shouting about –" I forgot what the issue was. She then said, "When women talk and disagree, they're not shouting. They're expressing an opinion." She could be the one to take on Hillary. So that would be my ticket.

Mining Share Panel

Rick Rule (MC), Eric Coffin, Brent Cook, Marin Katusa, Brien Lundin, Gwen Preston

Rick Rule: Let's start with the bigger picture — the TSXV, an amazing index — an index that's off, what, 86 percent in nominal terms? Probably 90 percent in real terms in four years. Topographic map of a ski resort, sort of, in terms of the TSX graph, except a very hard ski resort to ski because it's too steep.

Has it bottomed Marin? And if so, why or why not? Quickly.

Marin Katusa: No. It has not bottomed, and realistically, there's still way too many companies out there. I brought up an article saying that they need to bring in minimum market caps and minimum volumes. There's too many car salesmen pretending to be mining entrepreneurs and they actually have nothing in their assets other than a publicly listed shell to pretend to be a mining company. Too many zombies, and be very, very, very careful.

Rick Rule: Mister Coffin? We bottomed?

Eric Coffin: I don't know how much lower we go, but it's not going to be a very fast climb out of it, essentially for the reasons that Marin just elucidated. 10 percent of the companies on the exchange are run by good management groups, have projects that probably have a shot, and hopefully have some money in the bank or at least some people have the ability to get it. 80 percent of the companies on the exchange are essentially dead wood at this point.

I've had this kind of running argument with Brent and John Kaiser for years, telling them not to underestimate how long these guys can keep these things going. because everybody keeps expecting to see 800 companies disappear — and they probably will eventually — but don't underestimate the ability and the imagination that these guys can use to drag this out endlessly. Just don't get caught up owning any of them.

Rick Rule: Gwen, you look different than the other panelists, mercifully. Do you have a different opinion?

Gwen Preston: Not dramatically. I think we're in the bottom. It's a long, sideways, slog, yet. There's not a huge amount of near-term upside for the entire index for exactly those reasons. That being said, there's opportunity within, because there's already — you can pull up a lot of — a good number of examples of companies that are far out-performing the average right now, and that's because there is structural reason for some of those assets to advance.

And as long as those assets are also within the right jurisdiction and the right management and have all of those questions answered, there are some mid-tier operators, there are some near-term developers, whose share price charts are not in a bear market. Right now, they're doing great. So, the overall index, I think, is going to be sideways down for a while yet, but there's still opportunity within that.

Rick Rule: Classic New Orleans' answer. "The sector sucks, but subscribe to my letter. I'll get you through it." Brent?

Brent Cook: This might surprise Eric and a few people, but I'm actually feeling a bit more positive towards the sector than I have for the past four years.

Rick Rule: Bad sign.

Marin Katusa: Oh, man.

(Continued...)

Mining Share Panel

“...even the good companies aren’t really going to power ahead until we have an underlying bull market or at least a consistent uptrend in the metals themselves.”

We’re screwed. *[Laughter]*

Brent Cook: No, I don’t — bottom? When can you call a bottom? I think what we’re seeing is a very — there’s no capitulation moment. It’s just people dying by the wayside as we’re going across this dessert. But I think we’re three quarters of the way across this dessert, and I’m actually a bit more positively inclined than I have been for years.

Rick Rule: Brien, same question. TSXV — worst passed? Worst to come?

Brien Lundin: Well, I think it’s — the same question, I think I’ll have a bit of a different take on it. I think the question’s really largely irrelevant, because we can —

Rick Rule: That’s what he says about all my questions.

Brien Lundin: Well, I told you this about a month ago in your offices, actually. I really think we can hyper-analyze the junior resource market. Sure, there’s a lot of zombie companies. Sure, there’s no way to kill them off. And it’s easier to create new ones, but I don’t think they’re really diluting that much of the available capital out of the market, because nobody of much sense is investing in these things. I know you all aren’t. That’s a gratuitous compliment, by the way.

Rick Rule: He’s sucking up.

Brien Lundin: And in case you didn’t catch it, sign up for next year, please. But I do think it’s irrelevant because none of these things — even the good companies aren’t really going to power ahead until we have an underlying bull market or at least a consistent uptrend in the metals themselves — gold, silver — even the base metals. And I’m not that positive about the base metals, because I’m not that positive about China. And I don’t think they’ll move without a bull market in gold and silver, and that’s what gets people really excited. That’s what gets people investing in these junior stocks.

Rick Rule: Your favorite commodity in the near-term. By near term, for me, that’s 24 months. I’m an old guy. I can afford to hold stocks over a long weekend. Your favorite commodity for the next two years, starting with Marin.

Marin Katusa: Cash.

Rick Rule: Cash — that’s a great answer. Eric? Favorite commodity next two years.

Eric Coffin: Probably gold because I think we’re going to see some slowdown in the U.S., so I’m not a gold bug, but I do expect to see the dollar start topping out here.

Rick Rule: Gwen?

Gwen Preston: Uranium.

Rick Rule: You want to tell me why, briefly?

Gwen Preston: Oh, I like —

Rick Rule: Most people here know the gold thesis.

Gwen Preston: Exactly. And I like the gold thesis. I would say I’m as optimistic as Eric is about gold. But the argument’s there. When you look at uranium, the argument is structural.

You’re looking at demand that is rising quite rapidly. You’re looking at secondary supply that is shrinking for a variety of reasons. You’re looking at production that’s declining, and there’s a significant structural supply gap. So, I like that because gold — you can argue that left, right, up, and down every day of the week. And we have our opinions about it, and that’s great, but I like something that’s a little bit more fundamental in its rationale.

Rick Rule: Brent?

Brent Cook: I’m glad you asked that.

Rick Rule: Really?

Brent Cook: Brien and I have had a running bet — *[Laughter]* — for the past, I don’t know, five New Orleans Conferences. And I’ve always — the bet has been, “Is gold going to be higher or lower by the end of the year?” And I’ve won most years, and I think I’ve won this year as well. We usually bet a bottle of some sort of alcohol, but this year, I’ll go with the bet, but I’m hoping and thinking I’ll probably lose this year, Brien.

Brien Lundin: So, your bet is gold.

Brent Cook: Yes.

Brien Lundin: (To Brent) Well, then your favorite commodity probably is going to be wrong because I’m paying off the bet now. (Hands Brent a bottle of rum) You can never go wrong with that. You won't necessarily make any money, but you can drown your sorrows.

(To Rick) If you're still interested in my answer, I agree with Gwen, and I think she said it better than I could. Uranium, in my view. And what's key to this, I think, is your 24 month time frame because I really think at some point, over the next couple of years, the utilities are going to have to go back on the market to replenish supplies and that's going to be the real driver.

That's when we're going to see it — the supply/demand situation start to impact prices. Right now, they're sitting on reserves and eating away at them. And at some point over the next two years, it's got to happen. They've got to go back (into the market) and the price has to rise.

Rick Rule: Brien has displayed special wisdom by plying a geologist with rum. That never fails. Never fails. Even geologists from Utah, which is as strange as it might seem.

Brent Cook: Keep that quiet now.

Rick Rule: We're going to get a bit more pointed now. In terms of the exploration business — because we've talked about a discovery cycle, we've talked about some of the misallocation of capital in the TSXV — I'm interested in the panelists — this is sort of a nuanced question. You know my view — sole risk exploration versus prospect generation, knowing that the market — at least the brokers — hate prospect generation because of the paucity of commission.

And secondly, whether in a market like today where the costs of capital are high, but the entry price is low, whether this isn't the time — if anybody was ever going to consider sole risk exploration or drill hole plays to do it. So, the first question involves sole risk exploration versus prospect generation in terms of constructing an exploration portfolio to make money. And the second is — sole risk exploration and bull markets versus bear markets. And I think I'll start with Marin in that one.

Marin Katusa: I'd also be very careful about the Australian exchange, Rick. I totally disagree with you. They invented the model —

Rick Rule: There's a question, Marin. A question.

Marin Katusa: I agree. But I —

Rick Rule: This is like MacNeil/Lehrer where the guy uses a platform for a statement.

Marin Katusa: No, I just — like, they invented the billion-share model. But anyways, the best way is to get in early with the joint venture prospect or model like a Miles Thompson or those kind of guys. They've done a great job with it. The problem is — can they sell it? So, in a bear market, that's the safest way if your partners can afford to make the payments.

In a bull market, everyone can raise cash. So, I think that we're in a market where you can buy proven assets so cheap, so why take either of those bets?

Rick Rule: Good answer. Eric?

Eric Coffin: Boring but good.

Marin; My conviction didn't sell ya?

Eric Coffin: I like boring.

Marin Katusa: Boring's usually right. Boring's usually right, though.

Eric Coffin: I'm going to write that down. That's very quotable. One comment I'll make about prospect generators is that basically, when you're in a bear market, everybody's a prospect generator — which is really just a roundabout way of saying they can't raise money and they're hoping someone else is going to spend it. If you're looking at prospect generators, I have nothing against the model. I have a couple of them on my list, but the number of companies that can actually execute that is actually extremely short.

And what you need to do if someone approaches you with that model is take a look at what they've done over the last four or five years. And if the guy's issuing 15 or 20 million shares a year, he's not a prospect generator — or he's not very good at it. Let's put it that way.

Rick Rule: So, the question?

Eric Coffin: I think in bear markets, they have the same prob-

(Continued...)

"Right now, they're sitting on reserves and eating away at them. And at some point over the next two years, it's got to happen. They've got to go back (into the market) and the price has to rise."

"...be very careful about how the deals are structured when it comes to prospect generators."

lems. I don't — I just look at the particular assets of a given company. I'm not sold by the prospect generator model, per se, because when you're in a bear market, they, in fact — they're selling to a different audience, but they have the same problem. Their audience doesn't feel like spending money either. It's tough to get a good joint venture agreement right now because everybody's broke.

Rick Rule: Gwen?

Gwen Preston: I'd say both, in that echoing Eric a bit here, the key thing with the prospect generator isn't that that's what they call themselves. It's that that's what they actually do. A big part of that, too, is sure, they absolutely shouldn't be financing, or else they're failing. They also need to strike very good deals, and that's a complicated process that requires experience. So, people who are new into the prospect generator model, be very careful. Because the deals that they strike often leave the company without the asset in a way that they — in a way that's — with an ownership or a royalty, whatever it is — that it's not structured in a way that's actually beneficial for the company and doesn't create the income that's needed.

So, be very careful about how the deals are structured when it comes to prospect generators. As for sole — like, single focus exploration in bull or bear market, it's really just about the management and the asset they can perform. So, the companies that are performing either right now — that are starting to perform — outperform their peers on the exploration or development — near development side right now, are those who have managed to continue advancing their assets despite the bear market. So, it's not easy. Sure, it would be easier for them to raise a bunch of capital and maybe move things along faster if things were hot. They're not.

But they're going to outperform — some of them already are outperforming. So, it doesn't matter whether it's a bull or bear market. It's about choosing the right asset.

Rick Rule: Brent.

Brent Cook: In my exploration insights portfolio — which is what I actually own and buy with my money — I own both, and I think both models can work. I think if you're going to invest in the sole exploration model, it really comes down to knowing — better than anyone — what the property is, what its potential is, what it's going to take to get it to that potential, and how the company can execute. So, if you can find a company that fits all that, that's a great way to go. Otherwise, the prospect generator makes more money. It makes more sense.

If it was me that was going to start a company, I would go with a prospect generator model because it takes years to churn through properties until you finally come across the property that keeps getting better with every level of work. And using the prospect generator model, when you finally do get there, you've got a tight share structure, generally, and you're able to advance that further.

And I'll say — the most money I've made on prospect generators is on the ones that churn through projects for many, many, many years until finally, something came up that just kept getting better — I'll point to Kaminak, Virginia, Mirasol. That's where I've made most of my money.

Brien Lundin: I'm just pleased as punch with my panel here. I've really got some smart people on this panel. I agree with everything they say. I probably can't add much intelligence to it, but that won't stop me from trying. In a bad market, Eric's right — nothing works.

Every prospect generator is hunting for money. In a bull market where the majors are spending money, then everybody's a prospect generator. They sprout up like mushrooms after a rainstorm. The thing you have to watch in that instance is the companies that are really working on real projects and not just trying to keep the management contracts funded. A bad prospect generator is a company that's just trying to keep themselves employed forever and ever by getting other people to fund projects.

So, you have to be wary of that. But I do also want to stress that it all is a bit moot. It's a bit irrelevant, because what you should buy now is what you need to worry about and I agree with Marin on that point. There are a lot of companies out there that have proven, world-class, large-scale deposits that are selling for prices that would have resembled grass-roots exploration companies a few years ago. And that's really what we need to be buying right now.

Rick Rule: One other theme I want to talk about before I get nasty with y'all, and that's optionality. In my own history speculating, one of the techniques that's worked for me in market cycle after market cycle after market cycle is optionality. And if you talk to a crowd that's been in the gold business and you say, "What would you say about an investment that's incumbent on $1,500. gold?" People say, "Are you out of your mind? I just watched gold go from $1,900 to $1,100. Why would I care about $1,500?"

When the truth is that every gold investment that we make is predicated on higher gold prices. And so if all of the speculations that you're making are predicated on higher prices, why wouldn't you isolate the investment thesis to pure optionality?

In other words, as opposed to going through this idiocy of taking gold from a hole in the ground called a mine and putting it in a hole in the ground called a vault and losing $100 per ounce, you know, the gold price goes up and what you own now is a hole in the ground that used to have gold in it that somebody else now owns, and you did that at a loss. Why wouldn't you leave the gold in the first hole and then wait until the price went up and then just sell the hole? Why wouldn't you do Pan American, again?

Why wouldn't you do Silver Standard again? Why wouldn't you do Lumina again? My own — and I have some answers to that, by the way, but I'd be interested in everybody else's answers and I'm going to start this time, Brien, with you. What do you think about optionality? If people believe in higher prices, why should they produce it now when they could buy it, hoard it, and sell it back to the market later without having wasted hundreds of millions of dollars in the interim?

Brien Lundin: Well, I don't think you're going to find many companies that have at least mildly economic deposits that are mining them that are going to shut down and fire people right now. So, that, I don't think is going to happen.

But, you make a good point in that there are companies out there that are stronger than others, that are taking advantage of a down cycle. In a normal business, in an industrial business, in a downcycle, the strong eat up market share. A point I made in my opening remarks is that the companies you see here, who are out here at this conference exhibiting and doing something, and not just sitting on their hands trying to wait out the bear market — they're the strong companies that are out there picking up these gems, these nuggets, that are lying on the ground that nobody else can take advantage of.

There are a few companies out there who are building up either mineral banks that are agnostic as to the precious metal — not like Pan-American did or Silver Standard did focusing on silver, but just good projects. And there are companies that are trying to roll up producers that are maybe struggling that they can bring some type of an advantage to that are undervalued. So, there are companies out there that provide that.

Brent Cook: If your investment thesis is the gold price is going to $2,000 or whatever, then buying into a company with a large deposit that even, in my opinion, will never be mined in my lifetime, is a good way to go. And there's plenty of companies that fall into that category that are liquid. They move really well with the gold price. And throw a basket of those together — say, SeaBridge, NovaGold, Tower Hill, Northern Dynasty — companies like that with deposits that, in my opinion, will not be built in my lifetime, but they move really well with the gold price. So, it's a fine idea.

It's not something I do. I prefer to look for the deposits that are coming on stream or are being discovered and found that actually work at this gold price or lower and are going to be bought up by larger mining companies.

Gwen Preston: Similar in some ways to what Brent was saying, I think companies that have

(Continued...)

"...the companies you see here, who are out here at this conference exhibiting and doing something, and not just sitting on their hands trying to wait out the bear market — they're the strong companies that are out there picking up these gems, these nuggets, that are lying on the ground that nobody else can take advantage of."

"I prefer to track and invest in companies and approaches that make sense at today's prices or, better yet, make sense at lower prices, and then anything that comes on top is gravy."

assets that they believe in right now, they believe in those assets because they work at today's gold price or lower. So, if that's their perspective, then the game is not to get exposure to a higher gold price. Or, if there is optimism that the gold price will be higher, then the point is to build the mines so that you're actually producing gold once the price is higher.

Rick Rule: Now, Gwen, I've never roughed you up on this panel before because you're new. Have you ever, in your experience — with 1,500 companies on the TSXV — seen one of these schmucks that didn't believe in their project at current prices? I mean, I've been doing this for 35 years and I've never seen one where these morons didn't believe.

Gwen Preston: Well, stated versus successes. So, what I mean is the companies that are still actually advancing and having success right now. Of course they all say they believe in their project, but they don't all actually believe in their project because they know that the numbers don't work on a lot of those projects at today's gold prices. But, there are projects out there where the numbers do work at today's gold prices.

Rick Rule: So, what you're really saying is you have to believe. That's what I wanted to get out of you. Not that they have to believe. You have to believe.

Gwen Preston: Yeah. Sure.

Rick Rule: Okay. Welcome to New Orleans. I've beat up everybody else here, but you're brand new.

Gwen Preston: But I also do believe in the — in banking — do what you're going to do. Decide what you're going to do. If you have an asset that works at $1,000 gold and you have a way of building it and you believe that that will create good returns for your shareholders, then focus on that and do it. If you have capital and connections and a goal of assembling a portfolio of projects that you think will create really good shareholder value down the road because of a better market in general or a better gold price, then do that. But choose what you're going to do and do it.

Eric Coffin: If you're going for that sort of optionality, you've got to understand that what you're doing is a trade. You're not saying, "I'm going to buy a little piece of this deposit because it's going to get sold to a major in five years when gold's $1,500." Because the way things have gone in the last five or six years, and the amount of turnover that's been in the management suites, I think expecting a large miner to come in three years, if gold's $1,500 and buy out a gold deposit that's marginal at that price, I personally don't think that's going to happen.

So, I prefer to track and invest in companies and approaches that make sense at today's prices or, better yet, make sense at lower prices, and then anything that comes on top is gravy.

Marin Katusa: So, my answer to this is quite simple. When Rick talks about the Lumina or Pan America, it starts with the people. And you look at Ross Beaty — he's even cheaper than I am, and you have to figure out what are the holding costs. So, great, you can have this great asset, but if the management's burn rate — they like ripping around town in first class flights and all that — and your dilution of that — and then you also remember that governments have these permits — exploration permits — you have to meet that. So, can they survive that time frame?

I'll give you optionality on steroids — through private placements with warrants. All of these companies need to do this. And when Rick did Lumina, it was through the private placement. So, walk over to the Sprott booth. You got a young guy, Tekoa, and Rick standing there.

And I'm not getting paid to promote them but —

Rick Rule: I'll pay you later.

Marin Katusa: But that's how you do this. You get into the private placements and then warrants are the ultimate optionality.

Rick Rule: Okay. So, we have 10 minutes left, and I've noticed in 45 minutes, that when my clients tell me what they enjoyed about the panel, they said the first 35 minutes were lousy, but the last 10 minutes were great. And here's why. For 35 minutes, we've been, in a biblical sense, teaching people how to fish, which is not what they want. They want you all to catch them a fish, clean the fish, filet the fish, and serve it up with garnish.

So, there's five of you — you're each long-winded. You each have one minute to give me two stocks. Okay? Never mind optionality. Never mind prospect generation.

Never mind the TSXV. Make folks some money so they'll come back here next year and like you as opposed to dislike you. Marin — two stocks, quickly.

Marin Katusa: Mining? Do they have to be mining stock?

Rick Rule: It doesn't have to be mining. People here want to make money.

Marin Katusa: Same ones as I talked about yesterday — **Alterra** — AXY.TO. Ross Beaty, watch this thing roll. He's doing it. And the second one, **Brazil Resources** — BRI.V. And I'm a shareholder of both.

I will never tell you to buy something that I haven't bought. My average cost base for Alterra's about just under $0.35 and for BRI, it's a little bit higher than what it's trading at right now. I think it's about $0.55 cost base.

Rick Rule: Okay. Eric — two stocks, quickly.

Eric Coffin: **Nevsun** — NSU. They're about 80 percent cash in their current share price — they just put out their quarterly. Actually, they made not a lot of money. They made $3 million or $4 million, but not many copper producers can say they made anything in the last quarter.

They keep piling up cash. Personally, I think it's good, dare I say it, optionality on zinc or copper, but it's also one of those deals where if they can keep rolling along for another year, at some point, somebody probably takes them out because the cash is going to pretty much be worth more than the market cap.

The other one's **Kaminak Gold** (KAM.V). I like the project. Great management group. And I think they'll probably — they're on a very short list of companies that are lucky to get taken out sooner rather than later for that deposit.

Rick Rule: Gwen — two stocks.

Gwen Preston: So, Eric stole one of mine, which was Nevsun. I can replace it, but I like Nevsun for the reasons he stated — the cash backing, the exposure to zinc, and the prospectivity of that land package. I voiced my opinion about uranium already, so one of them has to be a uranium stock, and I'd go with **Uranium Energy Corp. (**UEC) on that. They're ready to roll. When prices rise not even that much more, they'll be able to turn on production, and that means turning on cash flow.

So, that's got great leverage to a rising price of uranium that I expect. And then, because I do like gold and I do have — I am optimistic about gold — I'll say **Newmarket Gold** (NMI.TO). So, this is sort of a dream team of management and board that's gone out and acquired assets in the down turn with the goal of becoming a low-cost, growing, gold mid-tier for the next cycle.

Rick Rule: Brent — two stocks.

Brent Cook: All right. I threw out five during my presentation who were actually out in the hall there. So, I won't do that again. But one is a prospect generator called **Mirasol Resources** — MRZ.V. They've got $25 million in the bank.

They've got a couple of joint ventures going. One of the projects they're drilling in Chile is quite sexy. I've been on it. And actually, I will throw in one more out there — another prospect generator — **Riverside Resources** (RRI.V), which is about a $6 million market cap company with $3 million in the bank, $3 million being spent, and they're out acquiring ground they've been sort of anxious to get for many, many years and it's finally becoming free.

Rick Rule: Brien. I know with all these exhibitors, it's going to be tough to name two. You're going to have a bunch of people who don't like you.

Brien Lundin: I'm telling you — there's about 60 favorites and they're right outside these doors. But I did have a more extensive list I'm trying to winnow down. They stole some from me. Uranium is — again, I agree with Gwen. I like Uranium.

I like UEC. I like **Energy Fuels** (UUUU) — that's a recent recommendation of mine since it merged with Uranerz. It's a fairly substantial uranium explorer and producer, so it's immediately leveraged to the rise in the uranium price.

(Continued...)

"So, this is sort of a dream team of management and board that's gone out and acquired assets in the down turn with the goal of becoming a low-cost, growing."

The Summit On America's Future

Touching on gold and silver, **Sabina Gold and Silver** (SBB.TO). I really like what Bruce McCloud is doing. He's generated some new energy into that. He had the Back River project in Nunavut — about five million high-grade ounces — which you need to have high grade ounces there — and he's doing a great job of getting that some exposure.

Marin Katusa: Do you have one, Rick? Just one.

Rick Rule: Just one?

Rick Rule: I have to give you two if I'm going to give you one. My two largest positions at cost — not my two largest positions by value — my two largest positions at cost — that is the two that I'm at risk at — are one, the place I work — **Sprott Inc.** (SII.TO), which I like a lot. I think Sprott Inc. is the brand name worldwide for junior resources. With 230,000 clients worldwide when junior resources returns to favor, there will be one global brand in junior resources, which is Sprott Inc. About a 60 percent worldwide market share in that space in terms of public money managers. I have to say that.

I believe it. I've been part of the success, and I believe that we're going to do extraordinarily well in the rebound. The other is the quintessential Rick Rule stock. It's **Ivanhoe Mines** (IVN.TO) — the best collection of assets I've ever seen in a junior. The best mining stock promoter of his era — the best, probably, since Cecil Rhodes. And, if Robert (Friedland) had an army, he would have done better than Cecil had done.

Some risks? South Africa's a lousy country and the Congo's even worse. Great big deposits — they need to raise a bunch of money. In my experience, big deposits finance themselves. So, those would be my two. That's the wrong choice of words. Those *are* my two.

Summit on America's Future

Gary Alexander (MC), Charles Krauthammer, Lawrence Reed, Mark Steyn

Gary Alexander: I have four basic questions. The first one is political, and then we move into economics. But when we talk about the Summit on America's Future, we're generally talking for a medium to intermediate term in the future, like 10 years. And I'm thinking to America's official 250th birthday, which will come in about 10 years.

But I am going to argue, since I do a history column in my weekly blog for Navellier.com, that I could argue that the United States, as an idea, was born 250 years ago this month in the Stamp Act Congress. Now, I don't know how many people have heard of this since their school days. But nine of the colonies sent 27 delegates to New York City in what became Federal Hall, where President George Washington took his inaugural oath and was the first executive mansion.

They met in the month of October 1765 for 18 days, and they sent a letter — a demand actually — to Parliament and to King George that the Stamp Act be removed. Of course, the Parliament did not listen. King George was a young impetuous man, and neither did he listen, but you could argue that the seeds of the American idea were sewn in New York City on Wall Street, that Federal Hall, 250 years ago this month.

So my first question has to do with politics. I'm going to start with Charles and then come on down the line. This conference started Wednesday evening during the presidential Republican debate, so I'm just imagining that most of you did not see the whole debate on TV because I saw you all over there with our welcoming reception. I'm sure you could have seen it on a replay and a television or your mobile device or some other item. But from what I saw in clips, it was an outrageous performance by what I thought was a business-friendly channel, CNBC, to approach the Republicans in a way in which would bring out their best ideas but, instead, became a game of Trivial Pursuit. That was my feeling.

Now, Charles Krauthammer had gone on TV that night. I saw a clip of it — I think it was O'Reilly — and called the performance of CNBC obnoxious. Now, Charles, I want you to take off the gloves, and don't use such guarded words tonight. Tell us what you really felt about the CNBC coverage and what could be improved in the next Republican debate.

Charles Krauthammer: Look, I think, as I said in my talk, I think that was a rather salutary development. That was about as naked a demonstration of the bias of the media, and I don't remember which of the panelists pointed it out. It could've been Marco, but you just contrast it with the fawning with which the panelist had interviewed and questioned the Democratic candidates.

I mean media bias is so overwhelming and so obvious that I've counseled conservatives, young conservatives, to simply give up complaining about it, stop whining, and live with it like the rain and the occasional tornado. It's there. Reagan was able to overcome it. In fact, it was worse 50 years ago when the left had a monopoly of all the major instruments of mass communication, the three networks, the two weekly magazines.

The beauty is that with the advent of the Internet and with the rise of talk radio, the conservatives actually have opposition voices. The reason that liberals so hate and are so fixated on Fox News is because it broke the monopoly. The genius of Roger Ailes and Rupert Murdoch was in finding a niche audience in American television news — half the American people. *[Laughter]*

And liberals can't get over it, and I don't think it's a great conspiracy. I think people just — liberals tend, more, to gravitate to those kind of professions — the media, the helping professions, while young conservatives decide to go out and drill mines in Fiji and make a lot of money and do a lot of good things and produce things. That's sort of how it is — self-selection, but accept it.

And remember this: Despite 50 years of this cultural imperialism on the part of the left, whereby marching through the institutions, they gain what Lenin would call the "commanding heights" of the culture. This country remains center right, so it tells you something about how bedrock is this natural love of liberty among Americans and their common sense. I suspect some of my more pessimistic friends here might disagree. I'm waiting for Mark to erupt, and I think I will sit back and enjoy the eruption.

Gary Alexander: All right, Mark Steyn, I guess you, as a Canadian, can't vote in this upcoming election, but who would you vote for and why if you could?

Mark Steyn: Well, actually, as a Canadian, I can vote in this election, and I go to 47 states around America. I may do it early and often on Election Day.

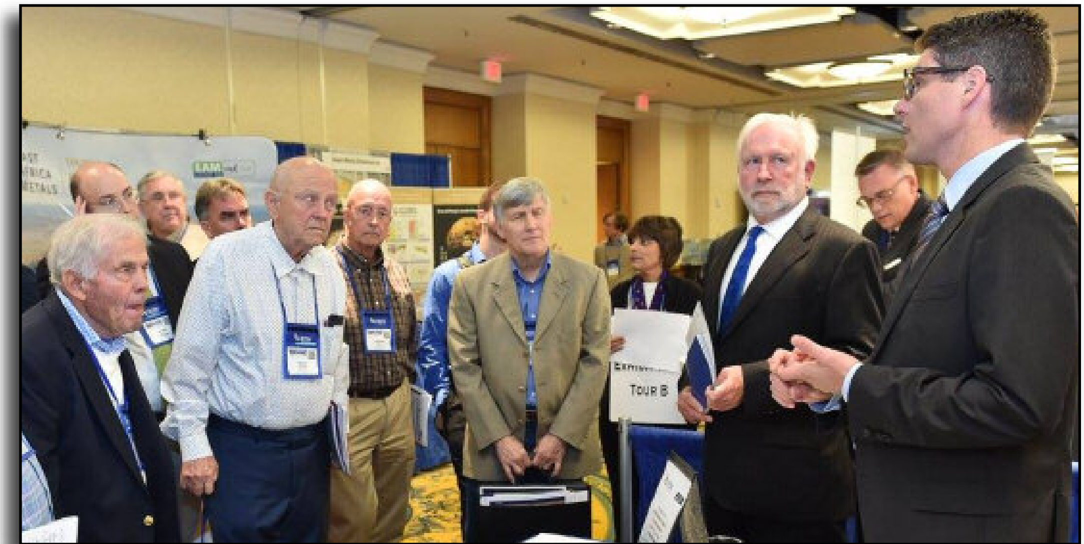
Gary Alexander: Good.

Mark Steyn: It would be totally racist to prevent me, as you know. As a Canadian, one of the slightly depressing things — I don't like this idea of "American isolationism." A lot of people talk about the idea that America shouldn't be involved in the world and should come back to a fortress America, and I always say, "What fortress?" Because 60 percent of the population in Mexico now lives in the United States. They've moved north of the border, and 88 percent of bad Canadian ideas that I came down here to get away from have followed me south of the border.

And I think if you look at that, this idea that — I don't really buy the center right argument that Charles makes, a natural center right nation. Because I think if you take the Democrats and the media, they all share the view, openly expressed by Bernie Sanders a couple of weeks ago,

(Continued...)

"60 percent of the population in Mexico now lives in the United States. They've moved north of the border, and 88 percent of bad Canadian ideas that I came down here to get away from have followed me south of the border.



that the natural end point of the developed society is Denmark and that America is just taking a little longer to get to it than other countries.

Half the population of America does not seriously disagree with that, and a significant chunk of the other half has been happy to seed large portions of societal leaders from the schools to the pop culture to the mainstream churches to people who are essentially are looking at a Scandinavian destination.

You, in fact, have done a bit of this yourself, Charles, when, shortly after Obama was elected, you said you didn't think he was born in Kenya. I think you said you thought he was born in Stockholm because he was a natural Scandinavian in his approach.

Charles Krauthammer: Yeah. And that used to be a funny line. It doesn't — *[Laughter]*

Mark Steyn: Yeah, I killed it.

Charles Krauthammer: It doesn't work. It's in the delivery, Mark.

Mark Steyn: It's the accent, I think.

Charles Krauthammer: The other thing I said is they've really chosen the wrong city for the Obama presidential library. It should obviously be in Havana, but let me just say one thing. If you assume that politics follows culture, then your pessimism is warranted, and you would expect that.

You would expect that after 50 years of relentless messaging, to use a very ugly word, from the left in the universities, in the newspapers, on television, in Hollywood — I mean every possible cultural venue, all the way down to the national museums, which are a disgrace — that it would translate into a liberal politics being prevalent and pervasive.

You look at the 2014 midterm election, and it is not true. And my argument is you may think that's true because of Obama's success at the presidential level. But my argument was, earlier today, that I think that's an anomaly having to do with the nature of the candidate, and it will be seen as a historical contingency — first African American and all that. But I think we're going to see a reversion to the norm.

Gary Alexander: Well, Larry, you're an economist. This morning, you spoke about what I would call morality, character, honesty, integrity, optimism, courage. Are there any of the candidates that kind of have that Mount Rushmore look about them in your eyes, right now?

Lawrence Reed: Well, there are a couple on Mount Rushmore I wouldn't have put there, so that's not a very good — well, I go into every presidential debate with very low expectations, and they still manage to disappoint me every time. I think it was Mark Twain who once said a great line about politicians. There weren't many that he liked, and one, in particular, that he didn't like apparently had passed away. And he said, "I didn't attend the funeral, but I sent a nice letter indicating that I approved of it." That's sort of my feeling towards most of 'em.

No, I recognize that you've got to have, ultimately, if you're going to undo the mess we're in, you've got to have politicians who will do the undoing, who will be elected, but I think people put too much attention on politics and politicians and, invariably, are disappointed.

And more of our time and attention and investments ought to be focused on changing ideas, changing the climate of opinion, because, ultimately, no politician in a Democratic society can act very far outside of the parameters of public opinion. That's where we need a lot of work.

If you expect even the best of

politicians to actually deliver on their promises, you better make sure that the climate of opinion will be there with them. And until we fix that, I don't put a whole lot of faith in politicians, so I'm focused more, at our organization, on things like young people and ideas on the assumption that if we get those things right, the politics and the politicians will ultimately take care of themselves.

Gary Alexander: Well, my second round of questions I think gets to the core of exactly what you're talking about — policies. And I'm going to focus on entitlements, and I'm going to expand that beyond the normal Medicare and ObamaCare and Social Security to things like disability.

In 1960, one percent of our labor force was disabled. Now, it's eight percent, and we have far fewer coal miners, firefighters, dangerous professions, farmers, and we have more deskwork, where I believe that a lot of this is being enabled by a government, which says, "Sure. You're entitled to this. You might be able to work, but why should you?" And I'm 70 now, so I'm in that cutting edge of the baby boomers, and they're coming along, the "pig in the python," as they're called, coming through the demographic of age groups to the time in which they're expected to be taken care of.

Now, a few years ago, we had on this Summit on America's Future — we had Newt Gingrich and Dick Armey, along with Charles Krauthammer. And Charles gave his speech about — or his three-pronged points on how to solve the entitlement crisis, and Dick Armey got a little agitated. He said, "You mean if I have a private pension and a government pension, the government's going to tell me, because your private pension's done well, you don't get this government pension? That would be fraud in an industry, and it would be fraud if the government did it." And this is — you know, Dick Armey's a fairly free market guy.

So what I'd like to do now is have Charles Krauthammer tell us the — again, remind us of the three prongs, which I thought were fairly sound-minded as far as the solution to the entitlement. And then, let Mark Steyn and Larry Reed respond to that. Charles?

Charles Krauthammer: Well, I hesitate a little bit to do that because Dick Armey isn't here to defend himself. Look, incidentally, on the disability issue, there's a very easy way, I think, a rather very simple policy way to solve the problem. The problem of the millions who have been added to the roles since the recession. The recession does a lot of things, but it doesn't increase the number of accidents per capita in a country. So obviously, this is all — or largely — fraud, another way to retire, and that is to renew the whatever examination is given when the initial granting of disability status occurs. You do it every couple of years, and you will find that the number of renewals will drop dramatically.

As to the back-of-the-envelope stuff, for Social Security, it is back-of-the-envelope. It is very simple, simply a question of political will because you always you get demagogued. Very simply, you raise the retirement age. That's number one, and it's screamingly obvious.

When Social Security was instituted, the life expectancy was 62. When Bismarck — Bismarck was the first to create a state pension plan. I think it was in the late 1880s, and life expectancy he chose, incidentally, as the age in which you receive the pension benefits was 70. You know what life expectancy was at the time in Germany? Around 47.

The man was a genius. He wasn't a philanthropist. Nobody got there. So we clearly have to raise it and index it to longevity. Social Security was intended to prevent destitution among the elderly. It was never intended to subsidize the greens fees of a generation of boomers, which is what it's doing, now.

The second is the adjustment to the cost of living formula. It's complicated to explain it, but it's extremely easy to do it — stroke of the pen — because, right now, our estimates overestimate what inflation is.

And the third is — and this is the most controversial — this is where Armey and I disagreed — is the means test. The argument against it is you paid into it, so it's fraud and deception and theft for

(Continued...)

"Social Security was intended to prevent destitution among the elderly. It was never intended to subsidize the greens fees of a generation of boomers, which is what it's doing, now."

"Nobody has ever done that. Nobody has done what Obama has done, which is spent $8 trillion. No human being has ever done that, not just spent it, but spent it and had nothing to show for it, which, again, is I think is kind of impressive, in a way."

the government to withhold your pension simply because you're rich when you retire.

Well, the fact is that you paid in, and the money's already stolen. It doesn't exist. There's a box somewhere in West Virginia that contains the money that you put in. The money has been taken, and what's left behind are pieces of paper that said the government owes you this money, which it doesn't have. It's already been spent. It's a pay-as-you-go system. It is not a pension system.

So that's it. It's not hard to do. It could be enacted in 10 pages and in one day. And if I'm right — and I'm extremely optimistic — if we end up with Ryan and Rubio, I think we might actually get it.

Gary Alexander: What do you think of that means testing? I assume all of us have means, men of means up here. Would you agree with that, Mark?

Lawrence Reed: Speak for yourself *[laughs]*.

Mark Steyn: Yeah, I think the idea of universal benefits, the age of universal benefits, is over. And I would say the response to Dick Armey is that when you have a government that has to pay back $18 trillion just to get back to having nothing at all — by the way, nobody in human history has ever paid back $18 trillion. Nobody has ever done that. Nobody has done what Obama has done, which is spent $8 trillion. No human being has ever done that, not just spent it, but spent it and had nothing to show for it, which, again, is I think is kind of impressive, in a way.

So I think — because you know, you say what you like about those Europeans, but I took the train from Copenhagen to Malmo a couple of weeks ago, and you go over the Oresund Bridge, which is a fantastic bridge. Obama says only government can build the Golden Gate Bridge. Only government can build the Hoover Dam. You would have had enough in his stimulus to build a Golden Gate Bridge from Boston to Shannon in Ireland. *[Laughter]*

See, I'm being serious. That's the "Golden Gate Bridge," and instead, he hasn't done anything there. He's done bureaucracy and dependency because the two have a maligned relationship. If you have more dependents, you need more bureaucrats to minister to them, which generates more dependents, which generates more bureaucrats.

And what happens, again, I would say — Charles mentioned politics and culture — I would say that's a cultural thing as much as anything, that once depressed towns get into the habit of not seeing their menfolk coming out the front door and going to work every morning, then it's easy for that to settle in and become a transgenerational thing. And to get out of that requires a cultural change.

But that cultural change also covers the Dick Armeys. Because when you're as broke as the federal government is, then it's time to give back something to your country, frankly, if you want the country to still be around. I know it's nice to have Social Security because maybe Dick Armey, that works out, you know, the 75 cents — it works out to 75 cents less than he personally has to pay to see Tony Danza in dinner theater in *South Pacific* in Coconut Grove or whatever he's planning on doing with his retirement.

But you have to have the cultural climate in which people are willing to do that because this life, fiscally, this is Road Runner when Wile E. Coyote has run off the cliff. And he's stepped four feet off the cliff and he looks down, and he hasn't yet fallen because that's cartoon magic. So he takes a fifth one, and he's still up there. And then, he takes a sixth, and he plummets all the way to the cliff. And the big anvil from the Acme Company follows him down and lands on his head and smashes him. Dick Armey is four steps off the cliff, and it's time for him to give a little back.

Gary Alexander: Larry.

Lawrence Reed: Since we've invoked —

Gary Alexander: Oh, Dick, I'm going to defend you when it's my turn again.

Lawrence Reed: Yeah. Well, I remember when a very memorable line from Dick Armey when he was on a panel at this conference a few years ago. There were several of us on the panel moderated by Mark Skousen that, at one point, Mark asked each of us to say who our favorite president was, and one person said Teddy Roosevelt. I said Grover Cleveland. Somebody else said — who knows who they were? But Dick Armey came last, and he said, "I'm in favor of much smaller government, so I'd have to say my favorite president was Jeff Davis because he tried to cut it in half." *[Laughter]*

No, I think I would be in general agreement with both Mark and Charles here, especially the emphasis on a cultural change if we're to fix the entitlements process. That's another way of saying this has to be a moral, personal, characteristic renaissance from the ground level up.

Now, there was a time in America when we had no sense of entitlement or if we did, an entitlement meant a paycheck, not a welfare check. What a change in this country when we don't think of paychecks today. We use that term "entitlement," don't there was a stigma attached to living at the expense of others, especially if there was some measure of dishonesty to it if you really didn't have to, if you were breaking the rules.

Today, that's so widely accepted, and people grumble about it, but it goes on, and it gets worse, and nothing happens no matter who's in power.

So I really think that goes back to what I talked about earlier this morning, that if we're to save this country, fiscally, financially and in every other respect, there has to be, from the ground up, a moral, personal, character renaissance. Nothing else will do it. We will not fix these problems in the long run in spite of all the good little tinkerings we might do along the way. We're not going to ultimately fix it until that renaissance take place one person at a time.

Charles Krauthammer: Can I make one point about that?

Gary Alexander: Sure.

Charles Krauthammer: I agree entirely that we need and could use is a cultural moral renaissance, but fracking helps, as well. *[Laughter]*

Mark Steyn talked about the towns where the habit of going to work, intergenerational, not seeing your father work, and you get this sort of culture — intergenerational culture of indolence, poverty and despair. Well, then, fracking comes along in Pennsylvania along the Marcellus Shale. One side of New York State bans it. The other side, Pennsylvania, allows it.

This is a political decision. The moral and cultural differences between the two communities is rather minimal, and yet one is flourishing. The towns are reviving, and the other side is not. So I don't think you ought to, for all of the importance, which I concede of the cultural needs and the influence of culture on politics. Politics makes a big difference. That's the reason that we have elections, and they have consequences.

For instance, and this is the most obvious, and I'll stop with this, depending on who you elect to the presidency, you will get the Supreme Court influencing our culture in a way that will last a generation. And that's, I think, the single-most important consequence of any presidential election.

Mark Steyn: Could I just disagree? I'd like to, just the in the interest of controversy, I'd like to, with trepidation, disagree with Charles on that because I think, again, I think, even you look at the Supreme Court, everyone always says, "Well, I don't really like my party's candidate, but the Supreme Court is crucial. So he'll get to make two or three appointments, so we've got to drag him across the finish line."

But I think even the Supreme Court actually plays catch-up to culture. I don't think when Anthony Kennedy decided in favor of — and by the way, I'm not really in favor of the idea where you have five robed regents who are the most important people in a nation of 300 million. But when Anthony Kennedy decided that same-sex marriage was — he suddenly claimed to have detected the emanations from the penumbra in the Constitution legalizing same-sex marriage 25 years after the chief justice of the United States had basically said there's no such thing, nothing really changed in jurisprudential terms between 1987 and last year.

All that changed was the culture, and Anthony Kennedy looked in the mirror and decided it was time for him to play catch-up to the culture.

And when, in the fullness of

(Continued...)

"Charles Krauthammer: I agree entirely that we need and could use is a cultural moral renaissance, but fracking helps, as well. [Laughter]"

time, some transgendered bathroom ordinance comes up before him in two or three years' time, he'll be playing catch-up to the culture again. And that's why I would say Republican-appointed nominees go rogue far more often than Democrat. No, you don't have to worry about Ruth Bader Ginsburg suddenly coming against abortion or whatever. But even those Supreme Court justices are playing catch-up. Even Anthony Kennedy is just playing catch-up to the culture in that respect.

Charles Krauthammer: Mark, the only reason Anthony Kennedy was on the court and able to make that crucial swing decision is that he was the third choice when Robert Bork was defeated, and that was a political event. We didn't have enough senators — we, conservatism, didn't have enough senators to stand up and to elect Robert Bork.

His defeat led us to having Anthony Kennedy, who finds emanations and the new meaning of existence in the Supreme Court and the Constitution every time he looks at it, and that is precisely a political act. That's the perfect example of the politics dictating how the culture is influenced.

Again, I'm not denying that they influence each other, but Kennedy wouldn't be there if there hadn't be a political act by the Senate, depending on the number of votes on either side. We would've had Robert Bork, and I can assure you he would not have found the same decision that Kennedy did.

Gary Alexander: Larry.

Lawrence Reed: I don't know that we're all that far apart here. I think all of us would agree that —

Gary Alexander: Oh, we're jading it up, so get a little thing going. *[Laughter]*

Lawrence Reed: Yeah, so we get a little excitement going. Politics, of course, is important and what politicians do, how they shape policy, and the decisions they make are very important. But I think that they ultimately are reflective of the general culture and the climate of ideas back home.

And let me just use this as an opportunity to add an idea that may be an extra arrow in your quiver of arguing for smaller government. The debates certainly, I think, highlight this, as well.

Most Americans would tell you, without much thinking, that politics and politicians are too corrupt. They're too unpredictable, too unreliable. There's a lot about it that's just dirty business, and I think that's certainly true. But they don't necessarily make the connection between that and the duties, the responsibilities that we've asked government to take on, the power that we've allowed it to accumulate.

There is no way in the world that you can have both good government and big government. You just can't. They cannot go together. The bigger it gets, the more inherently corrupt it becomes. The more it's enabled to pass out favors to its cronies, the more corruption there will be, and guess what happens?

The truly good people of solid character — and I hear this all the time — say, "I might've wanted to run for this office at some point," or, "At some point in my life, I thought about politics, but not anymore because it's just lousy, rotten, dirty business. Why do I want my name to be dragged through the mud?" And I'm sympathetic to that. I think that's one of the casualties of the size and the scope and the intrusiveness of government.

Gary Alexander: Well, you ran for office, right? You experienced that.

Lawrence Reed: I didn't make it. Yeah. Right. Yeah. Well, I'm still pure and uncorrupted because I didn't make it, but that's — I think we need to remind people you cannot have big government and good government at the same time. If you want better government, you ought to also be working for smaller government.

Editor's Note: *As I noted earlier, this review barely scratches the surface of the full value presented at New Orleans 2015. In fact, as I've edited these comments, I've had to cut out the vast portion of what was presented, simply for space.*

I strongly urge that every serious investor consider our audio and video recordings. This year, these are available in physical CDs/DVDs, as well as on-line streaming for some of our General Session presentations. The online presentations, at only $15 each, are a particular value.

To learn more about our recordings, CLICK HERE.

In addition, the complete transcript of our General Sessions is available to Gold Club attendees of New Orleans 2015 at no cost, and at no charge with purchase of one of our audio or video recording sets. Otherwise, it is available for $129 HERE.

— B.L.

All Inclusive
six-star luxury cruising with free fine wine and premium spirits, PLUS pre-paid gratuities!
The 2016
MONEY, METALS, & MINING Cruise
Strategies and Opportunities from the World's Top Experts
Experience—7 fabulous days of cruising the grandeur of Alaska on the world's only six-star luxury liner.
See and Explore—awe-inspiring scenery, pristine glaciers, abundant wildlife, and fascinating cultures.
Learn and Profit—from top money experts as they share their forecasts, insights, and specific investment recommendations.
Share—in the spirit of adventure, the passion for learning, and the joy of new friendships.
Relax—in luxury and style with royal treatment from the acclaimed staff, whose personalized European service sets Crystal Cruises apart and above.
Anchorage to Vancouver
JULY 10–17, 2016 + CRYSTAL SERENITY
Brien Lundin
Rick Rule
Peter Schiff
Larry Edelson
Call now to get the best cabin selections—800-797-9519!
Mention Priority Code 039275

Potpourri

Miscellaneous notes and observations
By Brien Lundin

More signs of the Apocalypse in metals

In my lead article I mentioned Anglo American's seemingly desperate move to slash costs and survive this disastrous bear market in metals.

This is a development with a very real impact, as it will reduce supplies of metal to the market. For Anglo, the asset disposals will be focused on platinum, copper, thermal coal, phosphates and niobium.

Other big miners have also been struggling. The turmoil at Glencore, which also suspended its dividend and has been trying to cut its debt load, has been well publicized. But Freeport McMoRan and Rio Tinto have cut their spending dramatically, while BHP Billiton and Vale are reeling from a massive dam failure at their iron ore joint venture in Brazil.

Again, when the big producers have troubles, it has a very real effect on global supplies of metals and minerals. But there are other developments that, while more anecdotal in nature, are symbolic of how deep and long this decline has been.

Most notable among these recently was the announcement on December 15 that respected investment bank Salman Partners was closing its doors as a result of the depressed market conditions.

This one hits a bit close to home, as I've been an avid reader of the firm's research for years. In particular, analyst Ray Goldie has done some great work on the metals markets. (Also — and very interestingly — Terry Salman, the firm's founder, is a native Canadian who served in the U.S. Marine Corps in Vietnam.)

I hope the firm's staff find new homes in the industry, and soon.

Meanwhile, the evidence continues to pile up that the metals and mining industry is scraping along the bottom.

The best investment you can make…

Moving on to the opportunity that this market bottom represents, I want to stress again that the audio and video recordings from this year's New Orleans Investment Conference are so valuable — and so affordable — that they may offer the best risk/reward advantage of any investment you could possibly consider today.

As I related earlier in this issue, I put a special emphasis in our agenda this year on speakers who could steer you to the best strategies and specific investments to take advantage of today's historic opportunity in metals and mining.

Our speakers, including Doug Kass, Marc Faber, James Rickards, Dennis Gartman, Peter Schiff, Doug Casey, Rick Rule, Marin Katusa, Brent Cook, Eric Coffin, Adrian Day, Sean Brodrick, David Morgan, James Turk, Frank Holmes, Pam and Mary Anne Aden, Mickey Fulp and more, did just that.

And our geopolitically-oriented speakers, including Dr. Charles Krauthammer, Mark Steyn and Dr. Larry Read, held up their end of the program with some scintillating individual and panel presentations.

The bottom-line value represented by these recordings, as well as the 330+ page transcript of all our General Session presentations, is truly extraordinary. And as I noted, the costs — especially our online streaming videos for only $14.95 each — are exceedingly affordable.

To get yours now, click here.

Profiting in the lap of luxury

Excitement is building — and cabins are being snapped up —

for this summer's Money, Metals and Mining Cruise to Alaska.

Peter Schiff, **Rick Rule**, **Larry Edelson** and I will join you on the ultra-luxurious Crystal Serenity for seven days of exploring the majesty of Alaska. You'll get our insights onboard…and then you'll enjoy an exclusive on-shore seminar in Vancouver featuring some of today's top resource sector experts and top companies.

This is a rare opportunity to mingle with noted experts and accomplished fellow investors in one of the world's most inspiring locales. But it will be limited to a precious few — the Crystal cruise line has been ranked as the No. 1 in its class for many years, but it maintains this lofty ranking by keeping its ships relatively small and very exclusive.

The bottom line is that the available cabins could quickly sell out, now that this opportunity is being widely offered.

So I urge you to take a look at the enclosed ad for more details. Then call toll free at **800-797-9519** (and mention Priority Code 039275) to get more information and reserve your place while it's still available.

"Unfortunately, with the mad rush in our office in trying to get this, our annual double-issue of Gold Newsletter, out to you, I haven't had much time for reflection…or Christmas shopping."

Another year gone…

This is the season when we naturally reflect on the past year, and the important things in our lives like family and friends.

Unfortunately, with the mad rush in our office in trying to get this, our annual double-issue of Gold Newsletter, out to you, I haven't had much time for reflection…or Christmas shopping.

I'm looking forward to doing that almost immediately after we get this monstrous issue put to bed.

And when I do, I'll think about another successful New Orleans Conference, but few other highlights in regard to the metals markets this year.

But it's important to keep the big picture in view. And in doing this, we can see that times like these are when the foundations of tomorrow's fortunes are laid. We just need to plug along, accumulating the best companies when we can, while waiting out the storm.

And the biggest picture, of course, is one of our loved ones. I hope you have the opportunity to hold yours close during this holiday season, as I plan to do with mine.

From all of us at Jefferson Financial, our best wishes for a very Merry Christmas, and a healthy, happy and prosperous New Year!

Remember: Use your e-mail address and Password to log into the "Subscribers Only" section of the Gold Newsletter site (goldnewsletter.com).

This allows you access to the current and archived issues of Gold Newsletter, the Gold Newsletter portfolio and special offers and products. You'll also be able to view your account and profile, and make any necessary modifications.

Gold Newsletter
In Our 45th Year

 Published by Jefferson Financial, Inc., 111 Veterans Memorial Boulevard, Suite 1555, Metairie, LA70005. Subscription Price: $198 per year. Single issues available for $20 each. New subscribers may cancel their order anytime and receive a full refund on all unfulfilled issues. Make checks payable to Jefferson Financial. Gold Newsletter was founded by James U. Blanchard III. Editor: Brien Lundin; Art Director: Kevin Pilet.

For subscription details, please call 800-648-8411, or send E-Mail to gnlmail@jeffersoncompanies.com.