

# ANOTHER SHAFT IN THE MINING BUSINESS

*Expect the unexpected and you'll end up in therapy, on drugs or enlightened.*

For those aware of the impending collapse of debt-based paper money assets, the fact that the majority still have no idea about the magnitude of the approaching danger is unbelievable. What is also unbelievable are the positions some of those people hold.

It is understandable that most stock brokers, bankers, insurance and real estate agents would still hopefully believe that the current paper-based profit machine will continue to churn out paper profits for their benefit *ad infinitum*. But when reading the Silver Standard 2007 annual report, the demarcation between those who believe and those who don't becomes clear.

Silver Standard Resources, SSRI, is a well established junior mining company with properties in Canada, US, Mexico, Peru, Chile, Argentina, and Australia. SSRI mines primarily silver and along with gold and the base metals, lead, zinc, copper, and tin; and, most importantly, SSRI does so profitably.

## WHEN ABOVE GROUND ASSETS COLLAPSE BELOW GROUND ASSETS—SILVER AND GOLD—WILL RISE

It will be the monetary metals, gold and silver, that will benefit the most from the collapse of paper currencies and paper debt-based economies now in progress; and, Silver Standard Resource which controls 900 million ounces of in-ground silver, the largest in this sector, will benefit greatly when the collapse occurs.

We have been shareholders in SSRI at various times and are once again. That is why we received a copy of SSRI's latest annual report, a report that was revelatory in a most unexpected way.

The 2007 annual report confirmed that SSRI is well positioned to take advantage of the coming collapse of paper assets. It also confirmed the level of blindness regarding the extent and rapidity of the seismic shift now occurring in financial markets, a shift that has already cost SSRI tens of millions of dollars.

The 2007 report revealed that Silver Standard Resources had invested \$57,102,000 in asset-backed commercial paper otherwise known as ass-paper or ABCP for short, paper assets (IOUs) backed by commercial debt that is now illiquid and cannot be sold.

Perhaps the blindness of SSRI can be attributed to its corporate domicile in Canada, a nation that has suffered extensively from its collective trust in asset-backed commercial paper much as Australians recently believed leveraged investments in US shopping malls were a profitable way to ride the never ending expansion.

That Silver Standard bought \$57,102,000 of now illiquid paper is testimony to the blindness of those who profit from paper believing that such profits can always be taken

off the table. In this instance, they were wrong; and, they will be increasingly wrong in other such instances in the future.

Additionally, Silver Standard's frozen and disintegrating \$57 million investment was unneeded news coming from a respected company in the junior mining sector, a sector badly bruised by having been pushed aside during last year's meteoric rise of gold and silver.

### A SENIOR MOMENT FOR JUNIOR MINERS

The past few months for junior mining stocks have been difficult. Always a volatile group, it was still a rude awakening that as gold and silver rose, the junior and mid-cap miners did not.

Now, that gold and silver have fallen from their spring highs, some believe the reason for owning gold and silver has abated; that the worst of the financial crisis is behind us; and that gold and silver, the arks in a monetary storm, may no longer be needed in the days ahead.

The truth is that the monetary storm has not abated. It has barely begun. The credit contraction of August 2007 was but a shot across the bow, a warning of what is on the horizon, a historic and cataclysmic disintegration of debt that will leave nations, businesses, and families broke and bankrupt in its wake.

### INVESTING FOR THE FUTURE THE NEAR FUTURE

As the week began, we were not fully invested. We had taken some earnings off the table and were waiting for the correction to end before reallocating assets. Gold and silver are currently in stage III (see [www.survivethecrisis.com](http://www.survivethecrisis.com)), a stage in which gold and silver are subject to volatile swings as paper investors move in and out of precious metals in their search for short term gain, a process that will end in stage IV when the search for short term gain will end in long term loss.

For us, the 2007 annual report of Silver Standard confirmed that SSRI and our other junior and mid-cap miners were still well positioned to take advantage of the continuing bull market in precious metals, a bull market that has not yet rounded the corner to make its historic run down the home stretch, a run that will be accompanied by the collapse of paper money and paper markets.

As the week progressed, we began to add to our physical holdings in gold and silver and later we reentered some ETFs. And, finally, to gain speculative leverage we bought GDX 55 Jan 2010 and Comex gold 2000 Dec 2012 calls.

It was one year ago in May 2007 when [www.survivethecrisis.com](http://www.survivethecrisis.com) offered my book predicting a coming global economic crisis. In that same month, in my article *Subprime America infects Asia and Europe*, I predicted that a crisis would occur that summer

(<http://www.drschool.com/articles%5CSubprimeAmericaInfectsAsiaandEurope.pdf>) and it did. In August the predicted crisis occurred as global credit markets suddenly contracted and began the as yet unfinished process that will end in *The Time of the Vulture*.

The coming economic cataclysm will not be an isolated event. Now that the entire world is trapped in a world of debt created by central bankers, the collapse of that world will affect everyone, e.g. US, Europe, Asia, South America, and Africa. No one will escape the systemic implosion of global credit and dislocated debt now in motion.

Some will fare better than others. Some will not. Today is the only time left to prepare for tomorrow; because when tomorrow arrives it will be as life changing as was Hurricane Katrina to New Orleans and the recent tragic earthquake to the residents of Sichuan.

Both events were sudden and unexpected. So, it will be again.

“What’s wrong, dear?”

“Oh, Beacham, the ship’s officers have just said we hit an iceberg.”

Beacham could not help but notice that Lily was in an extreme state of distress. He held her in his arms to reassure her as she was easily disturbed and this was obviously the case.

“There, there” he murmured, “I’m sure everything’s alright. It’s just a bit of a fright but don’t worry. We’ll be through this in no time.”

And they were, but not how Beacham had imagined.

Note: I will be speaking at Professor Antal E. Fekete’s Session IV of Gold Standard University Live (GSUL) July 3-6, 2008 in Szombathely, Hungary. If you are interested in monetary matters and gold, the opportunity to hear Professor Fekete should not be missed. A perusal of Professor Fekete’s topics may convince you to attend (see <http://www.professorfekete.com/gsul.asp> ). Professor Fekete, in my opinion, is a giant in a time of small men.

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