



Mania. Manipulation. Meltdown.

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Forward-Looking Statements

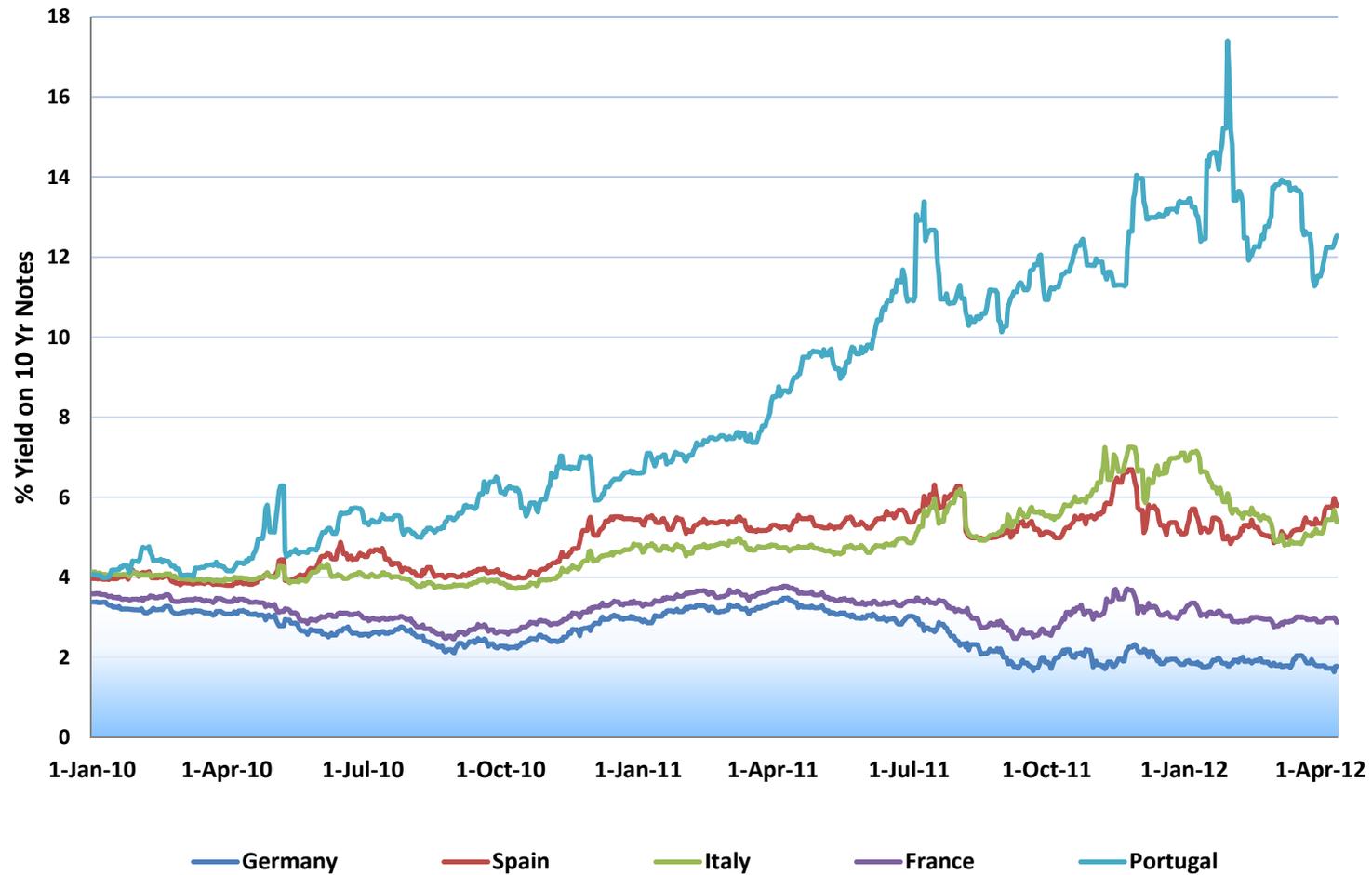
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The European Crisis continues...

Yields on Vulnerable Countries Continue to Creep Higher



Source: Barclays

The European Crisis continues...

As Yields Climb the Bailouts Come Full Circle:

Italian three-year borrowing costs jumped by more than a full percentage point from a month ago at a bond auction on Thursday, the latest sign investors' concerns about Spain are spreading to other euro zone countries hit by recession.

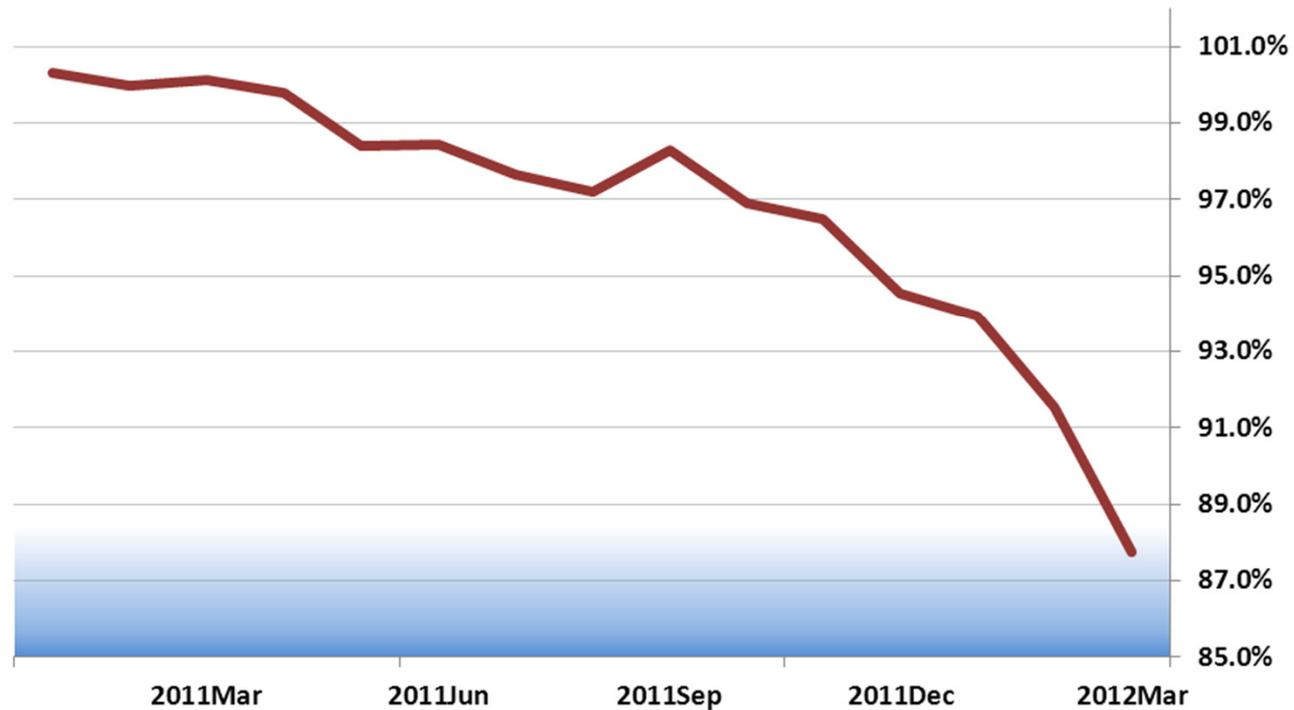
April 12, 2012 – CNBC

Spanish banks used ECB funds to purchase five-year Spanish bonds at yields near 3.5% in February and 4.5% in December. The same bonds were trading at 4.77% today, implying a large loss on the bond value. It is much the same story for Italian banks pressured into buying Italian debt by their own government. Further slippage could push losses to levels that trigger margin calls on collateral.

April 12, 2012 – The Telegraph

Private Depositors Are Voting With Their Feet

Non-Government Deposits as Percent of Total Deposits in Spain



Private Depositor Outflow Out of Spanish Banks (millions of Euros)

Jan-12	€ 37,031
Feb-12	€ 13,343

Source: ECB

U.S. Economy on the Rebound?

As economic growth appears to slow:

A gauge of Chicago-area manufacturing slowed in April to the weakest growth rate in 29 months, according to a survey released Monday, data that may raise doubts about the health of a national index due for release in a day's time..

April 30, 2012 – Marketwatch

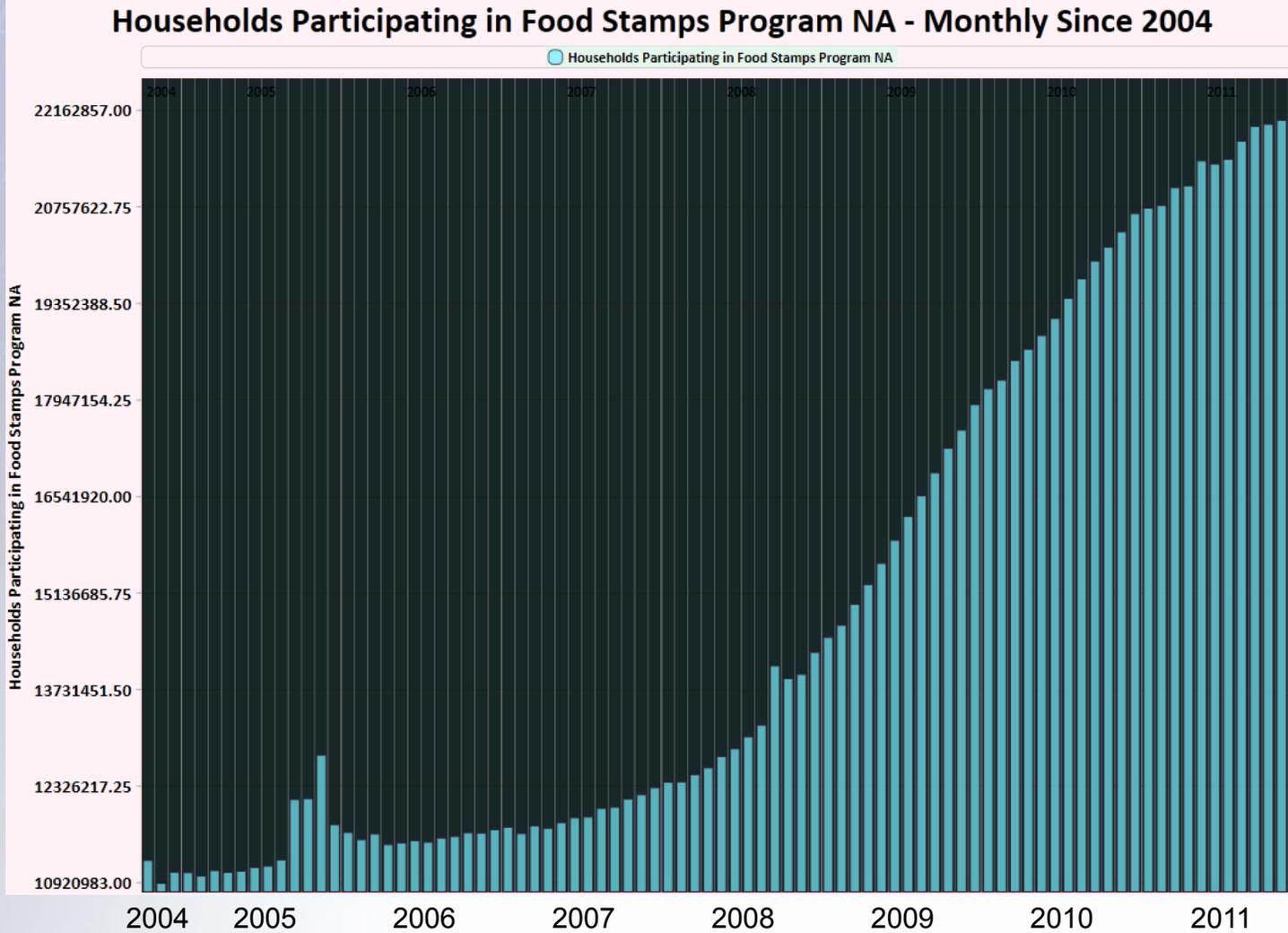
Jobless claims remain stubbornly high:

Companies in the U.S. added fewer workers last month, according to data from a private survey, pointing to a cooling in the job market, as the Commerce Department also reported a decline in factory orders in March.

Private employment increased by 119,000, the smallest gain in seven months, after rising by 201,000 in March, Roseland, New Jersey-based ADP Employer Services said. Orders to factories fell 1.5 percent following a 1.1 percent gain in February.

May 2, 2012 – Bloomberg

Is This a Picture of the Recovery?



Source: Blytic

Unintended Consequences of ZIRP

The latest report of the Social Security and Medicare trustees shows an unfunded liability for both programs of \$63 trillion. That is equal to about 4.5 times the entire U.S. gross domestic product.

Social Security faces an unfunded liability of \$8.6 trillion. "Through the infinite horizon, the unfunded obligation, or shortfall, equals \$20.5 trillion in present value, which represents 3.9 percent of future taxable payroll or 1.3 percent of future GDP"

April 25, 2012 – www.ssa.gov, The Politico

U.S. labor unions owe far more money into their pension plans than previously thought, as much as \$369 billion, according to a study by investment bank Credit Suisse. That means so-called multi-employer pension plans are just over half-funded.

April 9, 2012 – Financial Times

The nation's second biggest public pension fund, which provides retirement benefits for almost half a million California teachers, faces a projected \$64.5 billion shortfall over the next three decades.

April 10, 2012 – L.A. Times

Government Bailouts

Transfer of Risk...from Private Sector to Public Sector

QE1, QE2, TARP, TALF, Term Auction Facility, UK bank bailouts, Term Security Lending Facility, American Recovery & Reinvestment Act, European Financial Stability Facility, Chinese bank loans, Home buyer tax credits, Ireland bank bail-outs, Money Market Investor Funding Facility, Unemployment benefit extensions, FDIC bank takeovers, Fannie Mae & Freddie Mac, EU & IMF bail-out of Portugal, Canadian government mortgage purchases through CMHC, Student loan guarantees ...

*** Recent EU 'LTRO' Bailout



Precious Metals Review

A Decade of Change

Gold In The News

Chinese Gold Imports From Hong Kong Rise Nearly 13 Fold

China's demand for gold remains robust. Hong Kong's gold exports to China in February were nearly 13 times higher than the 3,115 kilograms in the same month last year, the data shows. Shipments were 72,617 kilograms in the first two months, compared with 10,564 kilograms a year ago or nearly a seven fold increase from the record levels seen last year.

Source: FX Street, <http://www.fxstreet.com>

Central Banks Beef Up Gold Reserves In March

According to the IMF, Mexico's central bank purchased a net 541,000 ounces of gold in March, increasing the country's official reserves of the precious metal to 3.941 million ounces. Russia meanwhile returned to the market as a buyer after reporting net sales in February for the first time since early 2007. It purchased 532,000 ounces of gold, taking its official reserves to 28.799 million ounces. At an average spot market value of \$1,674/oz last month, these net purchases would have been valued around \$900 million each.

Source: Equities.com, <http://www.equities.com>

Gold In The News

We know that central banks bought 439.7 tonnes of gold in 2011, and if the pace of recent central bank purchases continues, it will equate to another 256 tonnes of net new change in the physical gold market.

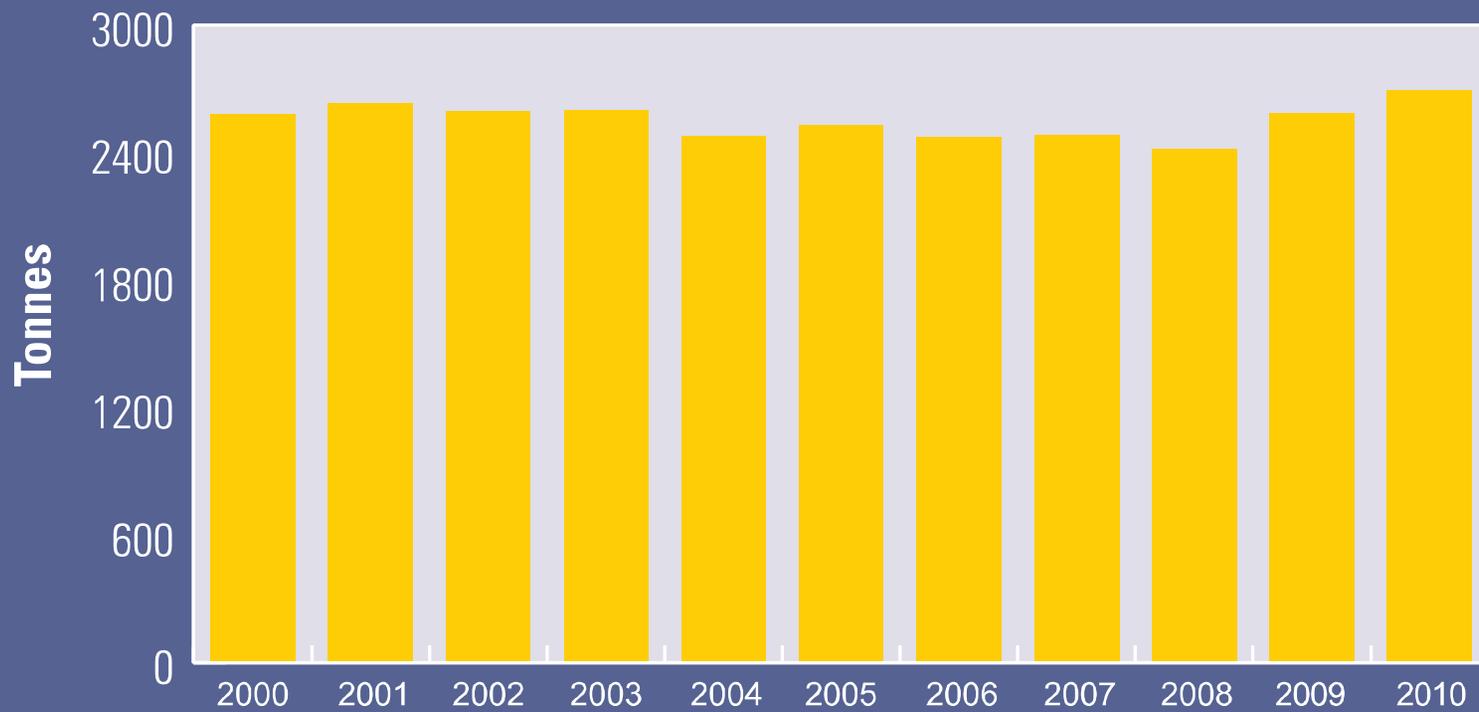
If we combine China's implied net change of 568 tonnes with the central banks' net change of 256 tonnes, we're left with a demand shift of over 824 tonnes vs. an annual mine supply of 2,810 tonnes. That represents close to a 30% net change in the physical gold market in 2012. If we remove the portion of global gold production produced by China and the other non-G6 central bank gold buyers (like Russia and Mexico - because we know they're not sellers), we're now dealing with over 824 tonnes of demand change hitting an annual global mine supply of a mere 2,170 tonnes - representing a 38% shift.

Source: Markets at a Glance, <http://www.sprott.com>

Physical Supply: Gold



Gold Mine Supply



Source: CPM Group, Sprott Asset Management LP

Gold's Changing Fundamentals

2000	2010	Annualized Change in Demand
Annual Mine Production ~ 2,620 metric tonnes according to GFMS	Annual Mine Production ~ 2,689 metric tonnes according to GFMS	(79)
Central Banks; Sellers of 400 tonnes (Washington Agreement, Sept. 1999)	Central Banks; Net Buyers of 400 tonnes**	800
US & Canadian Mint Coin Sales: 290,100 oz*	US & Canadian Mint Coin Sales: 2,355,500 oz*	64
Limited Exchange-traded investment options	Physical gold ETFs hold 2,300 tonnes of gold (Bloomberg)	400
China consumes 207.5 tonnes (WGC)	China consumes 700 tonnes (WGC)	500
Indian gold imports: 535 tonnes (Reuters)	Indian gold imports: 918 tonnes (Economic Times)	383
		~2,000 tonnes

* Source: <http://www.usmint.gov/> and Royal Canadian Mint

** Sprott estimate



Silver: Investment of the Decade

Physical Supply: Silver



Source: CPM Group, Sprott Asset Management LP

Silver's Changing Fundamentals

2005	2011	Change in Demand
Annual Mine Production ~ 593.5 million OZ (CPM Group)	Annual Mine Production ~ 689.6 million OZ (CPM Group)	(96)
Canadian Mint Silver Coin Sales: 1,062,000 OZ (RCM)	Canadian Mint Silver Coin Sales: 22,500,000 OZ (RCM estimate)	21
US Mint Coin Sales: 8,405,000 OZ (United States Mint)	US Mint Coin Sales: 39,868,500 OZ (United States Mint)	31
Central Fund of Canada holdings: 31 million OZ	Physical silver ETF holdings: 577 million OZ (BMO)	91
China net exporters of ~ 100 million OZ (CPM)	China net importers of 72 million OZ (UBS)	172
US Sales 100 million OZ (Silver Institute)	No US Sales	100
		319 M OZ

Silver Gaining Momentum

2011 Silver Institute Survey

- Net silver supply from above-ground stocks fell by a notable 14 percent to 278.9 Moz in 2011. The decline was a result of considerably lower net producer hedging and a major decline in government sales.
- Net government sales of silver fell by a hefty 74 percent to a 14-year low of 11.5 Moz, driven by a sharp fall in disposals from Russia.
- Physical silver bar investment grew by a massive 67% in 2011 to 95.7 Moz, while global coins & medals fabrication rose by almost 19 percent to an all-time high of 118.2 Moz. Strong demand in China accounted for a near 60 percent rise in its bullion coin output last year.

Source: 2011 Silver Institute Survey

The Price Ratio Argument

Historical Silver-to-Gold Ratio:	16:1
Geological In Situ Silver-to-Gold Ratio:	17.5:1
Current Silver-to-Gold Ratio:	52:1
Implied silver price if silver reverted back to 16:1 ratio at \$1,600 gold:	~\$100/oz

Source: Bloomberg, Sprott Research

Investable Ratio Analysis

Comparison of Key Gold-to-Silver Ratios (Ratios in Dollar Terms)

Gold bars and coins in existence ⁽¹⁾	~2.2Bn ounces
Silver bars and coins in existence ⁽¹⁾	~1.6Bn ounces
Value of gold bars and coins in existence to silver bars and coins in existence ⁽¹⁾	68:1
Market value of SPDR Gold Trust to iShares Silver Trust ⁽²⁾	6.8:1
2012 YTD U.S. Mint gold coin sales to silver coin sales ⁽³⁾	1.2:1
PHYS to PSLV IPO's	0.75:1
Gold Money	1:1
Royal Canadian Mint	1.5:1

Key Takeaways

- The value of all gold bars and coins in existence is ~\$3.8T at current prices
- The value of all silver bars and coins in existence is ~\$56B at current prices
- Supply / Inventory of investable gold is significantly higher than the supply of investable silver...
- ...but investors are choosing to put disproportionately more money to work in silver than in gold...
- ...and the disparity is even greater in physical coin sales

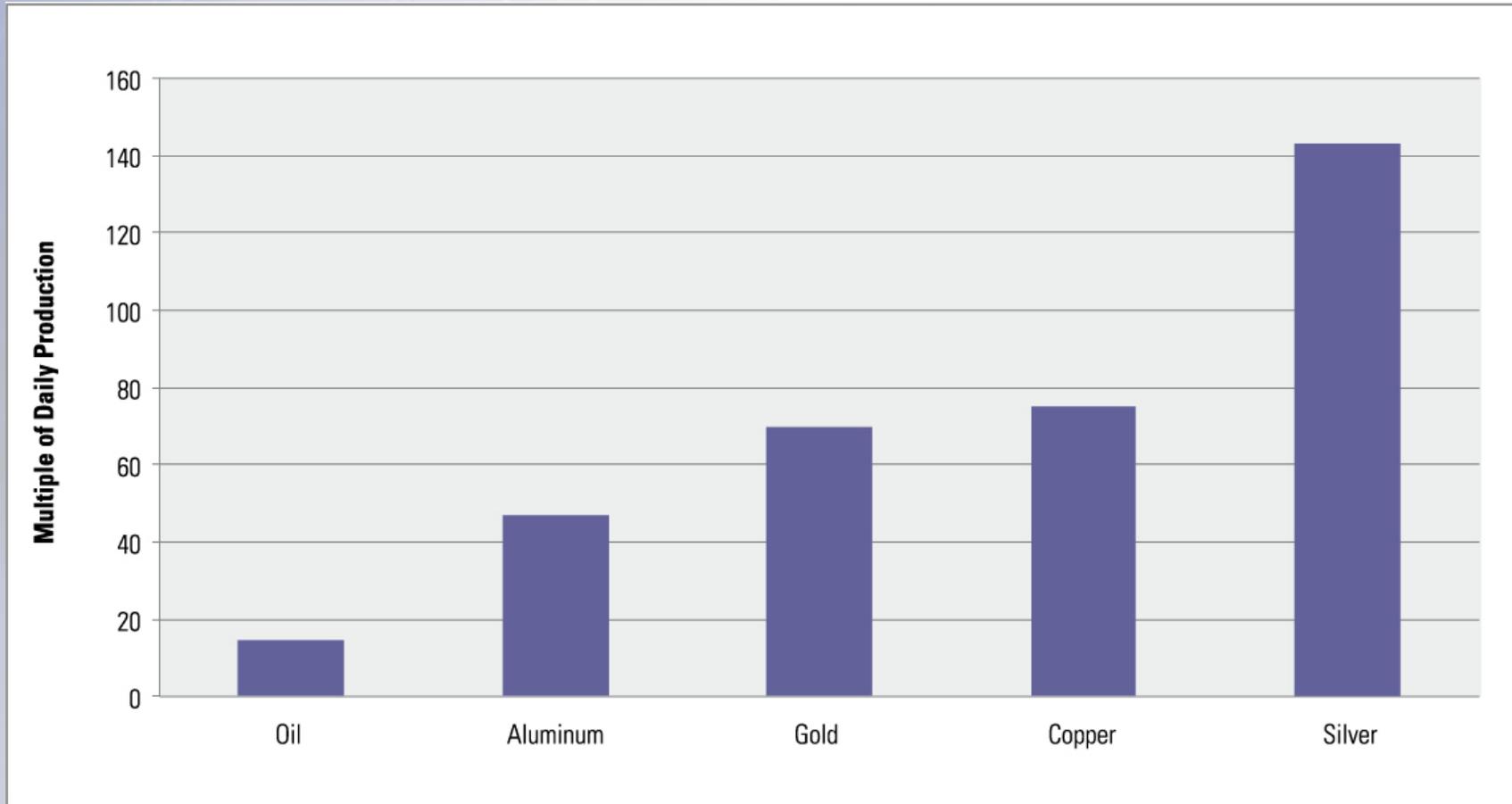
(1) Gold and silver data according to the CPM Group 2010 Gold Yearbook and CPM Group 2011 Silver Yearbook, respectively.

(2) Ratio is of net dollar purchases of the GLD to the dollar purchases of the SLV since inception of SLV in April, 2006.

(3) 2012 US Mint Coin Sales sourced from <http://www.usmint.gov/>

Silver Trading

Multiples of Daily Physical Production Traded



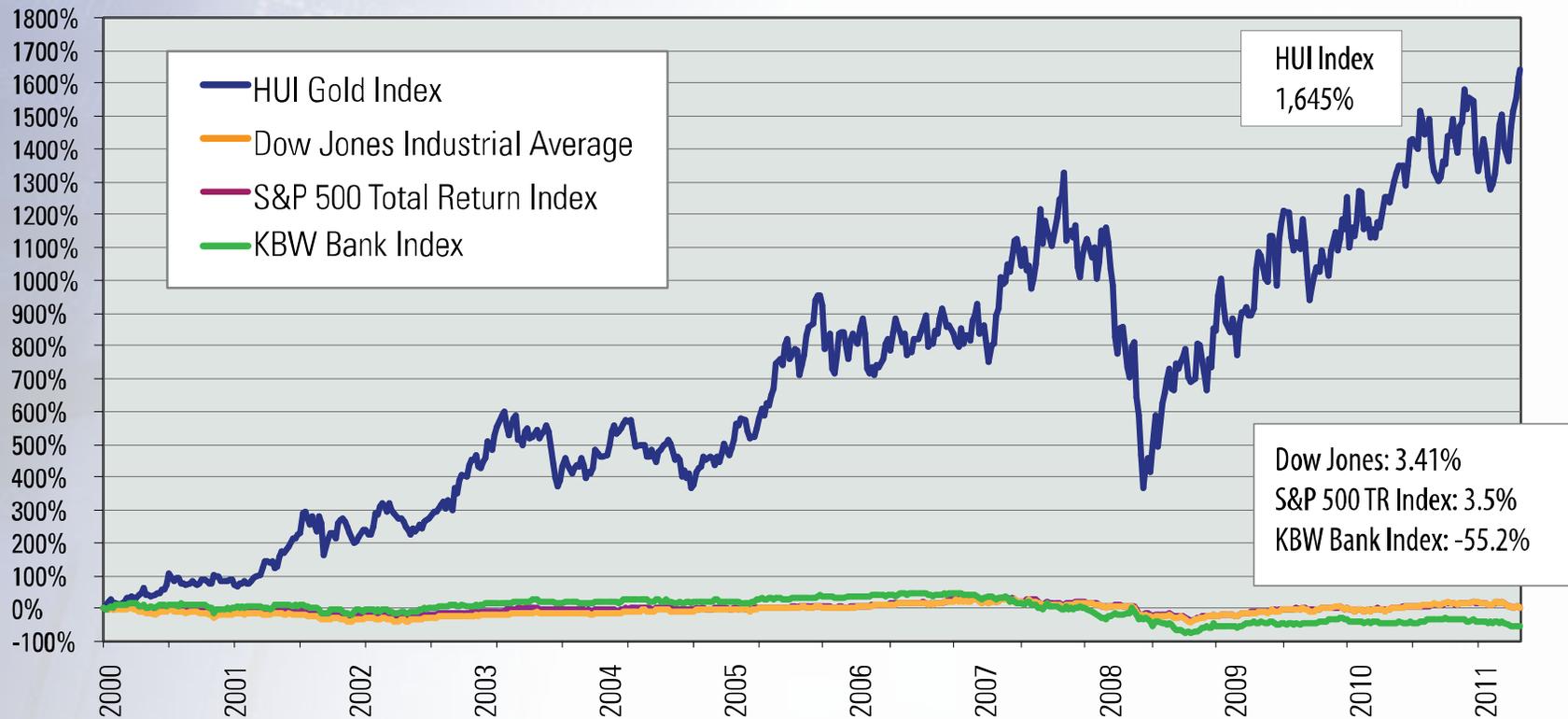
Source: Barclays, Sprott Research



The Great Wealth Redistribution

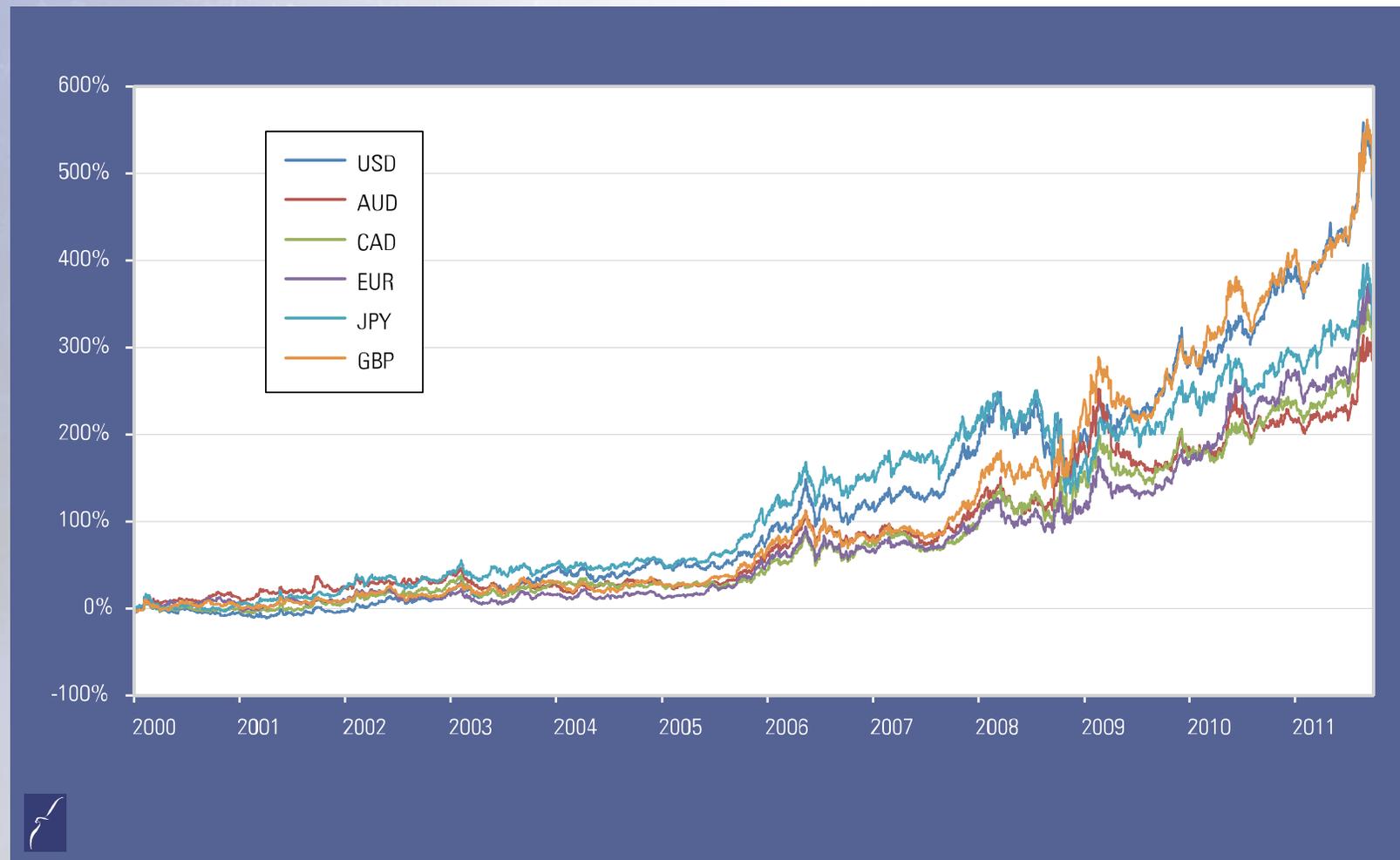
HUI Gold Index Outperformance

HUI Gold Index vs. Dow Jones, S&P 500 and KBW Bank Index since HUI's low on Nov. 17, 2000



Source: Bloomberg

Gold: The Ultimate Currency



Source: Bloomberg



Q & A

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