



Secretary: Marlea Sheridan

Editor: Penny Esplin

DATE: May 24th, 2012

Call to Order: Claudia called the meeting of May24^h, 2012 to order.

Meeting Minutes: Penny read the minutes from the last newsletter from April.

Claims Committee Report: Bill Moore and Lee have volunteered to research at BLM, looking into LR200, a BLM program (GEO communicator) that at present shows zero access. Its shows names of claims but no location site. Buzz will physically check out areas within the next week, look for claim numbers, prospect and investigate for possible sites to claim. If interested in accompanying Buzz, contact him.

Old Business: We discussed parts of the coast range for the possibility finding gold and a future outing. Lots of private land. Buzz said something about the Alsea River; need to look into this more. Claudia has a friend that will show her a place out of Corvallis to look for?

New Business: Gene Smith_undertook major heart surgery recently and has also had his gallbladder removed. Penny sent him and Judy a card on the behalf of all the members of the Diggers. We wish him well and hope to see them both soon.

Jim Miller has been absent due to a brain aneurism, since our last meeting he went back into the hospital for more surgery. He is home now healing. Keep him in your prayers for a full recovery.

At next month's meeting in June, Bill Moore will give us a demonstration on generating colloidal silver. Silver is a powerful, natural prophylactic/antibiotic, used for thousands of years.

Also at our next meeting Terry and TJ will talk about their claim which is 7 miles out of Applegate. Sounds real interesting!

Delmon mentioned we should use the trammel at Poverty flats (Dole Bar) this summer. Larry has affixed a new motor and pump. There is no dredging until July, but if a small enough intake line is used, there wouldn't be any water/mud returned into the river. Claudia asked if we would need the \$250 permit" for pulling water? Claudia said we would need the "600 permit" for the trammel, and that permit is free online at the DEQ website.

Claudia will double check for June 16th and 17th and will send club members an email with the info.

Upcoming Events/Outings: **Saturday June 9th starting at noon** we are having a Metal Detecting outing and BBQ potluck in Stayton at Pioneer Park. We need a side dish share for the potluck. Also something to drink. We should bring extra chairs. Ferman is providing the BBQ grill itself (propane). If you want steaks or something fancier, you need to bring it!

We also need to bring \$5.00 (per family) to give to Ferman as he is providing the prizes for us to find from out of his own collection! Ferman is going to "seed" the park prior to our arrival with approximately \$50.00 worth of detectable finds for us to look for with our metal detectors. Ferman will demonstrate some of the finer details of metal detecting for those of us that need instruction.

Driving directions to Pioneer Park: Take Hwy 22 east toward Stayton and take the Cascade Highway exit. Turn right onto Cascade Highway (south). It becomes N. 1st St. At the third traffic light (E. Washington St.), take a left (east). Continue on E. Washington St. thru to N. 7th St., take a right on N. 7th St (south). Go two blocks to E. Burnett St. and Pioneer Park is on the left.

June 16th and 17th (Saturday and Sunday) we are planning a trip to Poverty Flats also known as Dole Bar on the south Umpqua River by Myrtle Creek. 8 to 10 members plan to go. Delmon is going to check on camping permits for the nearby campground, otherwise, there is a place to camp at the Rockpile Quarry. We will be notified by email with further information. This is on Father's Day weekend for those who need to know.

Rocks shared beginning with the Letter "B": Joe brought some fluorescent specimens of **Black Calcite** (*calcium carbonate*) found while he was in Arizona. They fluoresced beautifully along with several other minerals in the rocks, showing brilliant reds, greens, purples, blues, oranges and yellows. Some were phosphorescent, meaning they glowed after turning off the ultraviolet light.



Benitoite and Neptunite crystals

Ken brought **blue Benitoite** (*barium titanium silicate*), found only in San Benito, Ca. Also, some **Barite** (*barium sulfate*) and **Black Neptunite** crystals (*a sodium and potassium, iron manganese titanosilicate*), it is also found with **Benitoite** in San Benito, Ca.

Penny brought **Bornite** (*copper iron sulfide*) also called **Peacock Ore** because of the colorful iridescence, man-made crystals of **Bismuth** from Germany, a couple of **Barite** crystals and two specimens of **Beryl var. Emerald** (*beryllium aluminum silicate*).

June's Letter is: "C": Examples: coins, crystals, collections, corundum (sapphire, ruby, emery), calcite, celestite, chalcedony (agate), cinnabar, chrysocolla, coal, copper, carbon (diamond, graphite).....

SPECIAL PRESENTATION BY JOE GREENE! Joe gave us a colorful and enlightening slideshow from his gold dredging experience in Cambodia. We all thoroughly enjoyed it and are looking forward to more of the same! Thank you Joe!

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## **POLITICS**

### **The EOMA Suction Dredge Case**

By Guy Michael, May 18, 2012

Although the case is not moving in the direction we would like, which would have been to finish the discovery mode and begin trial that DEQ's suction dredge permit is illegal. The case is actually moving. It appears that DEQ has taken up sides with the eight environmental organizations, most of whom jumped on to this case after EOMA challenged the National Environmental Defense Center (NEDC et al.) that they lack standing.

Recently, DEQ and NEDC have signed a settlement agreement, where NEDC et al. has notified EOMA that they will be withdrawing their case against DEQ. It was stated that their decision to withdraw will not affect EOMA's case against DEQ; however, they may come back with an amicus brief (friend of the court). This means that there would be no financial obligations required of them should the case go EOMA's way.

The NEDC argued as having standing during the discovery mode. EOMA had to go back to the judge and won a motion to compel. NEDC wanted only to supply a few declarations and some supporting documentation of financial expenditures showing they have a legitimate interest that would be enough to show standing. EOMA wanted full discovery, which specifically included depositions, which requires answering question under oath.

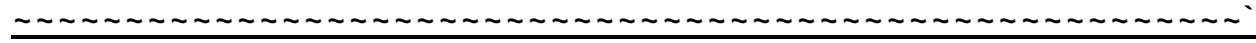
The claim of NEDC is that they do not owe EOMA for costs, because they did not file intervention in our case against DEQ. In the consolidation order of the Marion State

Court, they claim we are separate parties against DEQ according to the settlement agreement. We consider the true story is different, because EOMA won the right to intervene in the NEDC case when it was in the Multnomah State Court, before consolidation and became a party to their case too. The Marion State Court simply confirmed EOMA as a "petitioner" and became a "party in each case", as the consolidation's plain language states.

Now that we have received a copy of the settlement agreement between NEDC et al. and DEQ, it states EOMA filed a separate case, which forces EOMA to battle the error of understanding. EOMA is the prevailing party, because NEDC et al. intends to withdraw from our intervention in their case and we have court costs that we want reimbursed; even if the settlement might not affect our case against DEQ. The settlement did not mention that EOMA had won the right to intervene in the NEDC et al. case.

The issue that EOMA is the prevailing party is the most important issue first; even though the settlement has a few items that are not really in NEDC's complaint. Besides NEDC getting \$7500 for its reimbursement from DEQ, they want DEQ to brief NEDC et al. on the California regulations and how they could apply to the future permit in Oregon. Wait a minute, Oregon currently has a Clean Water Act NPDES permit and California only has a State permit for regulating suction dredging. So, what is wrong with this picture, besides the laws governing the two states permitting?

If NEDC should decide to withdraw from EOMA's complaint and EOMA's intervention in their case, we cannot let the horrible wish list of NEDC in the settlement agreement cloud the fact that EOMA is the prevailing party. Since this 2010 permit was issued as an order by DEQ, NEDC's lack of standing to even file a petition against DEQ is important, because NEDC may not have enough standing to settle with DEQ; if NEDC is proven it does not have standing to even file a petition in the first place, than any settlement it would make becomes invalid. This is EOMA's view.



## **News From the Mines**

**THE WESTERN MINING ALLIANCE**

MAY 2012

<http://www.thewma.org/>

### **THE THREAT TO MINING**

We can't overstate the importance of the legal battle we're in.

This isn't another case that's nipping around the edges of your rights; this case is a sledgehammer aimed squarely at your forehead.

Our friends, the environmentalists, seek to ban dredging forever. As clear as we can be, the only thing stopping them is the PLP lawsuit.

If you're reading this and you haven't sent in a donation to PLP, please do it now. There is no second chance in this fight. If we win, we win big; if we lose, we lose big. What's at stake is your very right to mine.

If not for the PLP/WMA lawsuit the only lawsuit would be the one by the environmentalist's seeking to permanently ban dredging. Our only choice would be to defend the regulations. Lawsuits don't just happen, they must be planned; lawyers hired; research conducted and a lot of hours spent in preparation.

Our rights are being thrown under the bus so environmentalists can "remediate" mercury. We stand in the way of this money grab. Mercury is a valuable mineral and as such the mercury that exists on your claim belongs to you. If the government wants to pay to remove mercury, then they need to pay you, not the environmental groups.

If you read the Sierra Fund website, the true agenda becomes clear. Please visit the Sierra Fund's "Reclaiming the Sierra" website and read their own words.  
<http://www.sierrafund.org/>

We haven't mined in over two years, have we?

Interestingly, there is discussion on their website on "reclaiming" idle mines. That would mean you. Thanks to the Jefferson Mining District, we were made aware of the recent effort by the BLM to increase claim maintenance fees on Association claims. The majority of claims are Association claims.

BLM is planning on implementing new fees that will require a maintenance fee be paid on each 20 acre claim within the association. If you have 160 acres, then you owe 8 maintenance fees. This change would be effective on the 1 September filing date. The claim maintenance fee is currently \$140.00; so for a 160 acre claim, your bill would be \$1,120 each year you file. The small miners waiver would still apply for those holding ten or fewer claims, but you have to wonder for how long! Please write your Congressional Representative and make them aware of this. The threats are all around us, and it's getting worse. We need your help to turn this around. If you don't join the WMA - join with someone.

### **ECO INC. DOESN'T LIKE YOU**

In simplest terms, the wording from their lawsuit states their objective as "...the suction dredging program be rejected and the current moratorium on suction dredge mining be continued." That's as clear as it can be. If they win, you lose.

### **OUR OPPONENTS**

Who are we fighting?

We have one lawyer. Thanks to your continued donations, we have been able to retain the lawyer, file suit, and hold our ground. We are funded entirely through your donations. The taxpayers hand outs that are provided to the environmental groups and

State and Federal agencies aren't available to us. We must fight this out of our own pocket.

There are six attorneys on the list for the environmentalists. Who pays their fees? You do. That's right, win or lose, you as the taxpayer are paying the fees of these attorneys through a little known law known as the Equal Access to Justice Act and California State Law that allows non-profits to get reimbursement for attorney fees. So how much are you on the hook for? How does half a million sound? Half a million of taxpayer dollars to fund their efforts to put taxpayers out of work. Go figure.

This is a common tactic of the environmental groups. They get paid to sue. We lose our rights.

**The list of our opponents include:**

Karuk Tribe  
Environmental Law Foundation  
The Center for Biological Diversity  
Pacific Coast Federation of Fisherman Association  
Institute for Fisheries Resources  
Friends of the River  
California Sportfishing Protection Alliance  
Foothill Anglers Coalition  
North Fork American River Alliance  
Upper American River Foundation  
Central Sierra Environmental Resource Center

**Also in opposition:**

U.S. Environmental Protection Agency  
California Water Resources Control Board  
California Native American Heritage Commission

**The Closing Statement**

Thanks to everyone who has contributed to the legal fight. We continue to ask you to donate an hour (\$250) of lawyer time.

Often we sit back and watch the fight and believe there's a lot of money out there for our cause. There's not. This fight is funded by You and Me. That's it. There are no big corporations or grant foundations funding us; it's individual donations.

We are not paid. The staff at PLP is not paid. Our opponents are all paid, and your tax dollars are paying their salaries.

Right now we need two things:

*We need money*

*We need your support*

We need money to keep this fight going. In May we'll have a bill for \$15,000 to pay for "preparing the record." The truth is you can't get justice without money.

So, please donate to this legal fight. This is the fight to save suction dredging. If they win California, they will use the same tactics in *Washington, Oregon, Idaho, and eventually all western states*. If you believe they'll stop with a win in California, well...

We need your support. Your support means joining a club and getting engaged. We have to stand as a community or we'll fall as individuals. We don't care who you join; there are lots of good clubs out there, but join someone and throw your support in.

We need you to meet with your State and Congressional representatives. If you do nothing else, schedule a face-to-face meeting with your elected representatives. Use the Suction Dredge Information Sheet we have provided to assist in preparing your talking points. Be reasonable, be nice, but explain to them what's going on and tell them the truth about suction gold dredging.

We need you to get involved. If you want to defeat our opponents, then we must be as engaged as our opponents. It's not just about suction dredging; it's about America, and it's about freedom, freedom that a lot of good people died for. It's not about conservative or liberal; it's about rights, and it's about rights guaranteed by a little document called the Constitution of the United States.

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California legislator trying to stop small-scale gold suction dredging indefinitely. If this works in California this is the blueprint to kill all small scale mining in the West.

**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION
ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR
MAY 23, 2012**

3600 DEPARTMENT OF FISH AND GAME

ISSUE 1: TRAILER BILL LANGUAGE—SUCTION DREDGE CLEANUP LANGUAGE

The Resources Omnibus Trailer Bill of 2011 included an item regarding the use of suction dredge equipment in waterways of the state. The language inadvertently created a confusing requirement both to create a temporary moratorium and require an environmental review of the practice, with an arbitrary timeframe for both. On April 25th, the Subcommittee directed staff to develop budget trailer language to clarify the Legislative intent in this regard. Specifically, staff was asked to draft language that would:

1. Remove the 2016 sunset in order to provide time needed to identify new regulations that meet environmental standards and reduce confusion about status of the program. This would have the effect of putting in place a functional

moratorium until new regulations addressing environmental impacts, and a new fee schedule covering all reasonable costs, are developed.

2. Ask DFG to consult with other agencies, such as the Water Board, Department of Public Health and the Native American Heritage Commission, and report back to the Legislature with recommendations as to what additional authorities or statutory changes would be necessary to develop suction dredge regulations that would mitigate all environmental impacts, and make recommendations for a fee schedule that would cover all program costs.

To wit, staff has prepared the following trailer bill language for the Subcommittee to consider: Amend Section 5653.1(b) to read as follows:

*5653.1 (b)Notwithstanding Section 5653, the use of any vacuum or suction dredge equipment in any river, stream, or lake of this state is prohibited **until June 30, 2016, or until the director certifies to the Secretary of State that all of the following have occurred, **whichever is earlier:*****

(1) The department has completed the environmental review of its existing suction dredge mining regulations, as ordered by the court in the case of Karuk Tribe of California et al. v. California Department of Fish and Game et al., Alameda County Superior Court Case No. RG 05211597.

(2) The department has transmitted for filing with the Secretary of State pursuant to Section 11343 of the Government Code, a certified copy of new regulations adopted, as necessary, pursuant to Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code.

(3) The new regulations described in paragraph (2) are operative.

(4) The new regulations described in paragraph (2) fully mitigate all identified significant environmental impacts.

(5) A fee structure is in place that will fully cover all costs to the department related to the administration of the program.

Add the following:

The Department shall consult with other agencies as necessary, including but not necessarily limited to, the State Water Resources Control Board, the Department of Public Health, and the Native American Heritage commission, and report back to the Legislature with recommendations as to any additional statutory changes or authorities that may be necessary to develop suction dredge regulations that would meet all the requirements of 5653.1(b), including mitigation of all identified significant environmental impacts and a fee structure that will fully cover all program costs.

MINING NEWS

National Strategic and Critical Minerals Act Wins US House Committee Approval

Dorothy Kosich, *Mineweb* (5/17/12)

<http://www.theaureport.com/pub/na/13405>

"The U.S. Department of Energy identified the 7–10 year period to obtain mining permits in the U.S. as compared to the average 1–2 years in Australia as one of the principal barriers to new U.S. mining ventures."

A bill aimed at streamlining permitting in one of the worst mining permitting jurisdictions globally, the United States, has won approval of the House Natural Resources Committee.

On a 27–10 vote, the U.S. House Natural Resources Committee Wednesday passed the National Strategic and Critical Minerals Act (H.R. 4402), aimed at streamlining the permitting process for U.S. mining.

The bill now goes to a floor vote by the full House.

"By streamlining government bureaucracies, we can boost American production of critical minerals such as rare earths that China has nearly 100% control over," said Natural Resources Committee Chairman Doc Hastings, R-Washington. "These critical minerals are vital for manufacturing everything from cell phones to hybrid vehicles."

"Duplicative regulations, bureaucratic inefficiency, and lack of coordination between federal agencies are threatening the economic recovery of my home state and jeopardizing our nation security," said the measure's primary sponsor Rep. Mark Amodei, R-Nevada. "I am thankful for the support of my colleagues in recognizing that the length of permitting process has a dramatic impact on mining and resources activity in Nevada."

Amodei is a former president of the Nevada Mining Association.

In a House subcommittee hearing last month, National Mining Association CEO Hal Quinn said H.R. 4402 "tackles one of the highest hurdles for domestic mining: permit delays." The international consulting firm, Behre Dolbear, has identified the United States as having one of the longest permitting processes in the world for mining projects.

The U.S. Department of Energy identified the 7–10 year period to obtain mining permits in the U.S. as compared to the average 1–2 years in Australia as one of the principle barriers to new U.S. mining ventures.

H.R. 4402 would streamline the permitting process for mineral development by coordinating the actions of federal, state, local and tribal agencies.

During Wednesday's House Resources Committee markup session, Rep. Ed Markey, D-Massachusetts, unsuccessfully tried to amend the bill to require a royalty payment for 12.5% of the value of the minerals produced as a result of a federal permit for mineral exploration or mine on federal lands.

Higher gold price needed to sustain mining

Martin Creamer, 17th May 2012

<http://www.miningweekly.com/article/higher-gold-prices-needed-to-sustain-gold-mining-industry-gold-fields-2012-05-17>

JOHANNESBURG (miningweekly.com) – Gold will need a higher price to sustain mine production, says Gold Fields CEO **Nick Holland**.

Announcing lower net group March quarter earnings of R2 082-million (\$268-million) compared with higher December quarter earnings of R2 605-million (\$336-million), Holland puts the all-in cost of producing an ounce of gold at \$1 400 and says the gold-mining industry will need prices higher than the current \$1 500/oz to maintain output at 70-million to 75-million ounces a year.

"If we're going to replace the ounces being mined out...we're going to need higher prices," he says, adding that analyst forecasts need to be moderated upwards.

Project curtailment, rationalisation and consolidation will follow if the gold price fails to return to at least the \$ 1700/oz level at which it was trading prior to US Federal Reserve chairperson **Ben Bernanke**'s February 29 revelation that there would be no further near-term quantitative easing in the US.

Holland believes that the world is more likely to inflate itself out of debt than attempt to increase taxes and that there will be more quantitative easing.

"I think you're going to see a lot more bad news coming through across the world and that should bode well for gold," he says.

China, central banks and exchange-traded fund (ETF) investment is continuing to underpin gold, the World Gold Council (WGC) reports in its latest 'Gold Demand Trends' study.

The WGC expects China to become the world's largest gold market by the end of the year in terms of yearly demand.

"Gold is actually in scarce supply. People are struggling to get gold," says Holland, who adds that Gold Fields is patiently continuing to drive the fundamentals of the business and believes that the company will be rewarded in time.

"We're not going to be distracted from our strategy by short-term gold-price volatility," Holland assures.

MARCH QUARTER

The salient

features of Gold Fields' March 2012 quarter were group attributable equivalent gold production of 827 000 oz, total cash cost of \$870/oz, an operating margin of 48%, a notional cash expenditure (NCE) margin of 24% and progress on its four growth projects.

Four fatal accidents took place at the South African operations.

Despite the lower production, net earnings remained robust benefiting from a stable gold price combined with continued sound cost control.

Attributable gold production for the year ending December 2012 is expected to be 3.5-million equivalent ounces.

The group NCE increased by 2 % from R313 286/kg (\$1 206/oz) in the December quarter to R319 835/kg (\$1 280/oz) in the March quarter. This increase was as a result of higher operating costs and lower production, partially offset by lower capital expenditure.

The company now owns 40% of the promising Far Southeast project in the Philippines where it has an option to take up an additional 20% stake from Lepanto Consolidated Mining Company for \$110-million.

In Peru, the Chucapaca feasibility study is progressing, with particular emphasis on optimising recoveries, plant design and permitting.

At the Arctic Platinum project in Finland, resource drilling on the Suhanko North prospect added platinum-group element mineralisation to the original Suhanko project of 140 million tons.

At the Damang super-pit project in Ghana, drilling is complete and resource models finalised for the prefeasibility study.

The company's latest resource and reserve statement indicates 5% higher reserves of 80.6-million ounces.

West African resources are up 46% from 17.3-million ounces to 25.2-million ounces and West Africa reserves are up 21%, from 11.3-million ounces to 13.7-million ounces.

The reserve base of Cerro Corona in South America is up 15%, from 5.3-million ounces to 6.1-million ounces.

At the Australian operations, gold production decreased by 9% from 172 000 oz to 157 000 oz, owing to lower underground volumes and grades at Agnew.

In South Africa, gold production at the Kloof Driefontein Complex fell 13% from 285 800 oz (8 890 kg) in the December quarter to 249 700 oz (7 765 kg) in the March quarter.

At Beatrix, production decreased by 12% from 89 700 oz (2 789 kg) to 79 200 ounces (2 462 kg).

At South Deep, production was flat at 58 600 oz (1 824 kg).

Gold: The World's Friend for 5,000 Years

By Frank Holmes

CEO and Chief Investment Officer U.S. Global Investors

May 18, 2012

http://www.usfunds.com/investor-resources/investor-alert/?utm_source=SubscriberMail&utm_medium=email&utm_campaign=IA%205%2F18%2F12&utm_term=USFunds.com%20Logo%20Link&utm_content=dc14275ca902476f96e5f1a8d1df0917

Facebook's highly anticipated initial public offering today helped the company raise \$16 billion, a record for tech IPOs. It's refreshing to see investor excitement rally around the stock, as the U.S. needs innovative businesses to thrive and attract capital. However, as behavioral finance warns, be cautious of a herd mentality.

Last November, the IPO deal of the day was Groupon. On the first day of trading, shares rose to a high of \$31 from an initial offering price of \$20.

By Thanksgiving, the stock had fallen below the IPO price, and only a few months later, uncertainty popped up around the company's accounting methods and financial controls. The stock fell further, with the market devaluing Groupon by about 50 percent in only six months. How's that for a group buy?

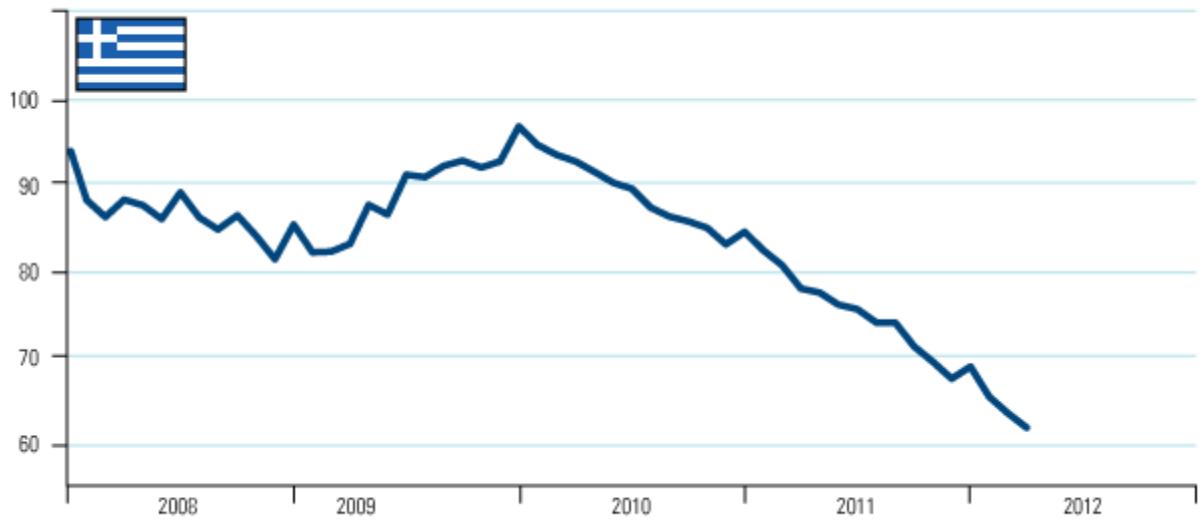
It's interesting to note that the value of Groupon's stock has lost more than \$13 billion since the peak on the first trading day through April 30. For comparison, if you look at the total net assets in Lipper's precious metals mutual fund peer category, assets fell \$8.3 billion over the same timeframe. Investors lost more than \$5 billion more in one tech stock alone than in all of the precious metals funds combined.

Gold—A Reality Check

Investors have "defriended" gold recently in favor of the dollar, as Greek and French voters rejected austerity measures. Greeks have been responding to their escalating debt issues for a while by steadily pulling money from overnight deposits. I often say, money goes where it is best treated, and these deposits will need to find a safe haven.

Greece Overnight Deposits Plummet

In Billions of Euros



Source: National Central Banks

It's not only Greece the market is worried about, says BCA Research. In a special report aptly named, "In Case of Emergency Grexit," the firm says there's extra pressure on Spain and Italy, "which imminently needs a large bailout of its banking system." The 10-year yields for each country have reached 6 percent today, and while there are funds to sufficiently cover Spain, there aren't enough funds for Italy, too, says BCA.

So if the European Union (EU) stops the flow of bailout funds, Greece, unable to pay wages, would invoke social unrest, according to BCA.

More importantly, without funds from the EU, Greece would default on its bonds. Looking at what the country owes this year alone, \$1 to \$7.6 billion is due each month, says BCA. The European Central Bank would then most likely stop providing funds to Greek banks, causing more individuals to pull money. "With deposit flight, and no injections from the ECB, the banks would be bust and Greece would be hemorrhaging money," says BCA.

It's also important to look at the investors of Greek debt. According to the *London Evening Standard* earlier this year, French banks are the largest holders of Greek government bonds and private-sector debt in the eurozone, with \$47.9 billion exposure to Greece.

In the end, I believe governments in Europe lack the courage to be fiscally disciplined. Earlier this week, I told Aaron Task and Henry Blodget on The Daily Ticker that when push comes to shove, Europe will likely continue to print money. This should be positive for gold.

At the Hard Assets Conference earlier this week, Greg Weldon compared the money printing situation to a sink. In an interview he gave with *The Gold Report*, Greg said:

“It’s going to be very difficult to see how economies in Europe, the U.S. and Japan can stand on their own two feet without the assistance of central banks debasing currency through debt monetization. I liken it to filling the sink halfway up with water and pulling the plug out of the drain. Of course, the water level will recede unless you turn the faucet on and start more water pouring into the sink. The level of water represents asset prices, the water flowing out of the faucet represents liquidity provided by global central banks and the drain represents the real macro economy, which has not been fixed.

“At the end of the second round of qualitative easing, when the Fed shut off the faucet, the water level (asset prices) started to go down. But now the water is running again—particularly with some of the measures instituted by the European Central Bank, with its three-year loan program, the federal liquidity swaps and the back-ended way that it’s managed to involve the International Monetary Fund.

“The problem with all of this is it does nothing to fix the underlying problem, which is too much debt. This is not sustainable. Central banks turning on the water faucet is good for asset prices. The real solutions of fiscal austerity, which are probably not palatable to most politicians in Europe, are the real struggle as we go forward. This problem is not going to go away.”

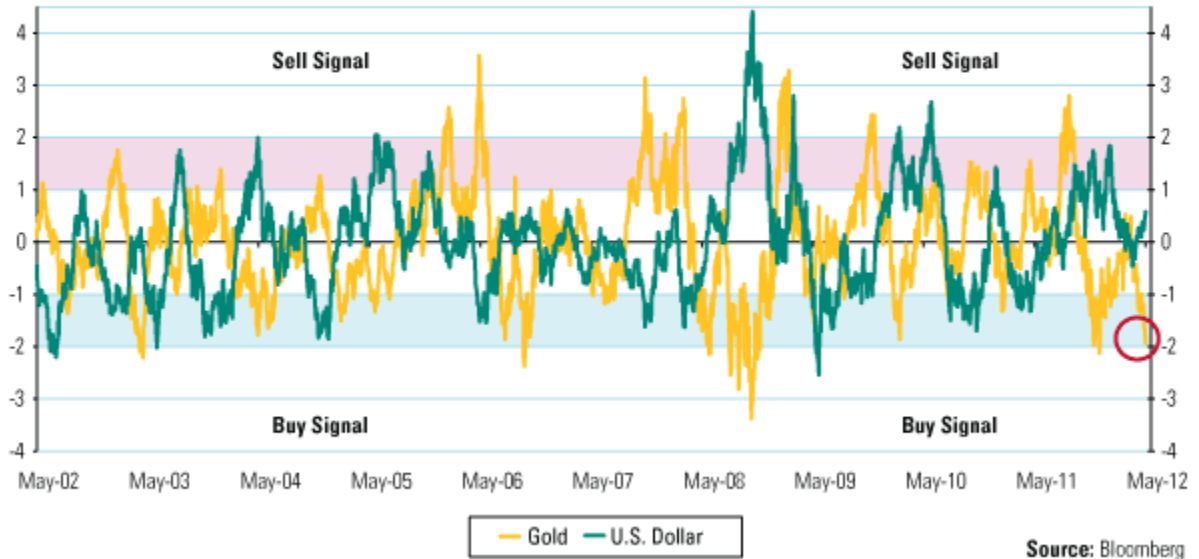
So, during times like we’ve had recently, when the dollar is chosen over gold, I apply math. The chart below shows the 60-day percentage change of the gold price and the U.S. dollar. Gold’s recent weakness has triggered a -2.2 sigma event in standard deviation terms. **Over the past 10 years, this has happened less than 2 percent of the time.** Historically, each time gold has touched the -2 sigma mark, the precious metal has rallied.

This bounce is exactly what we saw on Thursday and Friday this week.

While gold may not go up vertically from here—as frequent readers know, the yellow metal historically has fallen in June and July—with the extraordinary events occurring in Europe, I believe investors will soon “friend” gold once more. As we wait for the central banks around the world to act, I encourage investors to consider dollar-cost averaging. It’s a way to stay invested, and more importantly, to avoid making emotional investment decisions.

Gold and Dollar 60-Day Percent Change in Standard Deviation Terms

Daily Percent Change, 10 Years through May 15, 2012



The flock of black swans facing gold

Deliberations on World Markets Author, Ian McAvity, believes that the world faces a number of major challenges that could see gold go significantly higher this year.

Author: Geoff Candy, Posted: Tuesday, 29 May 2012
GRONINGEN (MINEWEB) -

While the commodity spectrum as a whole peaked out around 14 months ago the sheer number of potential black swan events on the horizon could see [gold](#) breach \$2,500 before year-end.

This is the view of Deliberations on World Markets Author, Ian McAvity, who maintains "the Continuous Commodity Index peaked in early 2011 and [commodities] have been declining and will continue declining - that's in a sense what the stock markets have been reflecting."

But, he says, gold is increasingly trading like a currency at the moment, a behaviour that is amplified by the fact that the speculative money has now largely been chased out of the gold market.

[Speaking on Mineweb.com's Metals Weekly Podcast](#), McAvity added, the whole point of the various levels of the gold standards that have been tried over history is largely an attempt to discipline against the irresponsible printing of paper.

"What you've seen over the last couple of years is a lot of the newly wealthy emerging countries quietly accumulating gold... I think a lot of people are converting paper - not

just euros but also US dollars into tangibles and doing it quietly. Nobody advertises what they're buying until after they've bought it."

As a result of this and a multitude of other factors, McAvity, believes that gold is unlikely to trade much below \$1500 but, he says, "I still think that we're going to have events - various black swans unfolding over the course of the year that will have the gold price up to \$2500 sometime by year end."

Indeed, McAvity says black swans are travelling in flocks at the moment so it is difficult to predict which might be the catalyst for a sharp move higher but, there are a number of significant ones over which he is keeping a sharp eye.

The first of these is the potential for the blow-up of a European bank.

"In a sense you've got a global bear market under way that in many respects I regard as being the second half of the events that started in 2007-2009 and I don't think that the global banking system today is any better than it was back then," he says.

But, he says, that the attitude of many of the US banks is that what is happening now is very much a European problem.

"If a European bank blows up, that problem will cross the Atlantic in a Nano-second because the Federal Reserve was bailing out some of the European banks in 2008-2009 and they'll be doing it again. So we're still pretty much in the same mess and it comes down to one very simple question - how can you borrow your way out of a debt problem... and that's what they've been trying to do."

The second significant one is linked to currencies, of which McAvity says, the dollar is "the best looking horse in the glue factory."

"I think we're getting to a point where if the euro breaks 1.20 that probably will become the crisis level that could spark a major exodus out of the various euro currencies. Switzerland has already made it clear that they've got a line in the sand, but I think if the euro was to break 1.20 in the dollar, then you might see a greater level of panic coming out."

And, as McAvity points out, a strong dollar doesn't have to mean a weak gold price.

"If a trillion dollar's worth of euros was fleeing because the euro was about to blow up, perhaps 800bn, maybe 850bn of it would flow to the dollar, maybe 150bn of it would flow to gold and the relative volatility of gold is such that that 150bn going to gold might actually end up driving the gold price up in dollar terms too."

The third black swan event that McAvity is concerned about is the build up of Israeli pressure over the past year on who's going to go in and take out some of the Iranian nuclear facilities.

"I was very concerned when I saw Israel call up six battalions of reserves about three or four weeks ago and it hasn't been in the headlines much because they're negotiating in Baghdad about not throwing Iran out of the system if they allow inspectors and that sort of thing.

"But when you look back at the history of violence in the Middle East, particularly Arab-Israeli wars and various uprisings, they all seem to have occurred between May and July. So in a sense it's almost a seasonal risk that has me extremely nervous about something going on in the Middle East that right now nobody seems to be focused on."



Our Next Club Meeting: June 28th, @ 7:00

Visit our website at <http://www.millenniumdiggers.com/>

The Millennium Diggers Club is a group based in Keizer, Oregon, which is near Salem, Oregon. The club is for people that share an interest in searching for things of value. The club's charter is to provide members with a club that will help promote the hobbies of metal detecting, prospecting, rock hounding, and treasure hunting. Part of our yearly dues pay for mining claims that are available for all club members to use. We use club meetings to share information about locating gold, silver, coins, jewelry, gemstones, fossils and metal detecting. We plan club outings each month where we can help each other learn all aspects of our hobbies. This is a great family activity, bring the kids! Please feel free to drop in on one of the monthly meetings or outings.

We meet the 4th Thursday of each month, 7:00 p.m., at:

Clear Lake United Methodist Church

920 Marks Drive

Keizer, OR 97303

We meet in the church's Fellowship Hall; a real a nice meeting place complete with tables, chairs and a kitchen. The church is located across the street from the Clear Lake Fire Station. There's plenty of parking in the church's parking lot.

