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Today's Notes

By Chris Berry, MBA

1. ENDEAVOUR SILVER: "THE DEFINITION OF ORGANIC GROWTH"

The above quotation came from Endeavour CEO Bradford Cooke in a recent webcast found on the [company website](#). We write this morning on Endeavour (EDR:TSX, EXK:AMEX) to bring you up to speed on two recent developments with the company that have undoubtedly helped propel the share price higher in recent days.

First, the company announced yesterday that they are now completely debt free. The debt they took on stems from a convertible debt deal issued in February 2009 when the company wanted to pad its cash position during the Great Recession. Think of it as "just in case" money. It wasn't specifically needed for any purpose, but the company wanted extra cash "just in case" things stayed ugly in the junior space for some time. 7,874 debentures worth CDN \$7.9 million were recently converted into units before September 15 of this year. Now the company can move forward with an even stronger balance sheet and efficiently utilize its CDN \$42 million in working capital to continue to increase production and reserves. As a reminder, EDR has increased production by 780% over the past six years and has a stated goal of increasing production by 50% in the next two years. With no debt overhang, this will be easier to accomplish.

The second recent announcement plays right into EDR's production and reserve goals. On September 1, in a [press release](#) the company said ***"it has identified three new silver veins and acquired three new mining properties in the San Pedro area of the Guanacevi silver district in Durango State, Mexico."*** One of two producing mines EDR operates in Mexico, Guanacevi, produced 622,385 oz of silver and 1,602 oz of gold (726,515 oz of silver equivalent) in Q2 2010, up 40% from Q2 2009.

This is highly significant in that this district is known for hosting high grade silver deposits and EDR has just solidified its chances of increasing both reserves and production from this region, executing its stated business plan perfectly. The

company plans to begin testing of these robust targets in Q4 2010. This is “elephant country” regarding high grade silver and EDR has positioned itself for success. One look at the price chart below tells you the market is applauding these recent moves.



And Silver is on the move as well (note how similar the two charts look):



We’ve written previous Morning Notes on EDR which you can see [here](#) and [here](#). These announcements, coupled with a low share count, ample liquidity, an under-valuation relative to its peers, and high leverage to the price of silver lead us to believe there are more positive surprises to come from EDR in the future. We do not own EDR shares and have no affiliation with the company but like it as it exemplifies what a Discovery stock can evolve into.

2. THE MOVE TO NUCLEAR

Earlier this week, we attended the Rodman & Renshaw Global Investment Conference in New York. While many companies presented, one group panel stuck out in our minds. The topic concerned junior resource investing and a panelist was Mr. Amir Adnani, CEO and founder of Uranium Energy Corp (UEC: NYSE/AMEX). We do not own UEC shares and have no affiliation with the company. As we are big proponents of nuclear energy here at Morning Notes, we listened closely to what he had to say. His general premise was that though a nuclear renaissance is just getting started, a fundamental supply shortfall looms over the industry. He sees the uranium market on the verge of change for three reasons he mentioned:

1. Goldman Sachs is [opening a Uranium desk](#).
2. The Russians [bought Uranium One](#).
3. China is currently building 24 reactors (we mentioned this earlier this week) and EXPORTING their technology to the Argentines.

Mr. Adnani had several other interesting things to say, but the reason we write this today is for all to use it as an opportunity to become more educated about this energy source. There is an overwhelming amount of info out there, so we've found two documents focusing on nuclear power. The first one from the Canadian Nuclear Association is [here](#). The second from the World Nuclear Association focusing on the United States is [here](#).

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