

Today's Notes:

1. Revett's Drivers: Copper and Silver

1. REVETT'S DRIVERS

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Revett Mineral's CEO John Shanahan.

But first, I just returned from the Lavriontiki region (southern Attica) of Greece, an hour south of Athens, where I visited one of the oldest (5,000 years) and highest grade silver mines in the world. At its peak, around 450 BC, the galena ore contained up to 80 ounces of silver per ton and 20% lead. Believe me, if you have a chance to visit the two mining museums there, please do. I enclose a picture of the beautiful crystals.

The silver mined in antiquity from Lavrion financed the Athenian fleet that defeated the Persian navy and spawned the Athenian democracy in 450 BC¹. In their heyday the ancient Greeks produced 20,000 kilograms of silver each year, enough to build and man the large Athenian navy of more than 100 Triremes. That's the power of real money and discovery.

In 200 AD (650 years later) Plutarch spoke of Lavrion as, "*that destitute place where the Athenians obtained their silver.*" Lavrion, Thorikos, Kamariza and, of course, Sounion were mined intermittently from 3000 BC till 1985. Ancient slags and ore were also mined in modern times. Such is the Lavrion silver legacy to the world. It brought prosperity and democracy to Athens for centuries.

The ancient Greeks would probably be amazed that the price of silver is greater than \$20 per ounce today. Yet the value of an ounce of silver, its purchasing power, has not changed much since the Athenians built their navy in 450 BC, according to Dr. Hale (author of *Lords of the Sea*).

The recent strength of silver, even relative to gold, is amazing. Still silver doesn't look parabolic (no bubble yet), though we think it is overbought (both RSI and MACD indicate this) and we would be happy to see a short term correction.

¹ Please see [Lords of the Sea: The Epic Story of the Athenian Navy and the Birth of Democracy](#) by J. R. Hale



Still the gold silver ratio is headed back to the 55 level, currently at 59.78.



Yesterday one of the companies I have followed closely for the past year made a significant announcement. I first wrote Revett on Revett Minerals November 2009. As you can see the shares were trading for 17 cents at the time. Much has happened in the intervening year including a 200% increase in the share price. CEO John Shanahan has been a tour de force for the company, cleaning up many of the problems and fending off suitors who would have paid a few pennies for the valuable silver and copper properties. Montana native and Chairman Tim Lindsay has also been a stabilizing force and great ombudsman for the company in Montana.

Yesterday the company announced that it had reached Troy mine's higher grade C-Beds. These will yield 1.6 ounce per ton silver and .56% copper. Presently there are approx. 2 million ounces of silver in the C-Beds today worth ~ \$40 million in situ, and 13.7 million pounds of copper, worth ~ \$50 million in situ. We think the next few quarters of production from the company's Troy Mine will generate very significant free cash flows. In fact we think that the company will soon be debt free. The copper cons produced from Revett's Troy mine are considered some of the best in the country and are highly sought after. We also note that Silver Wheaton recently took a large position in the company.

John Shanahan, President and CEO stated,

“The opening of the C-Bed mineralized production zone is a major step forward for Revett. We are pleased with the successful completion of access to this new area which gives us the confidence for continued exploration efforts into other nearby areas. Being able to complete this project on time and within budget is a testimony to both the men and women of the Troy mine and SMD.”

There much more to Revett's story. There is the JF property and the I-beds at Troy. This is already a successful turn-around situation. A few years ago, in fact last year, the company was on life support. No longer. I see Troy as an active explorer and potential acquirer of further properties. The company is awaiting approval on the mining of its Rock Creek deposit. We think this approval will be granted after a suitable waiting period. Rock Creek harbors a resource of 229 million ounces of silver and 2 billion pounds of copper. Given the global move to commodities and the rise in price of both silver and copper we think Revett's the Rock Creek resource will eventually be mined.

Perhaps the most compelling issue in the Revett case study, at least from my perspective, is the performance of its management team led by CEO John Shanahan. John is a forward thinker and he has performed very well to date. He has hedged his forward operating costs. I see no reason that his leadership successes will not continue. I expect more innovative value creation opportunities to evolve from this management team. One look at the stock's performance over the past year (see below) tells the story.

I have been an advisor to Revett in the past and I own shares in the company. I reserve the right to buy further shares.



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