

Baltimore Recap: UCU, HRE, CGJ, FMS

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I hope you're having a good week. On my end, I can't believe it's the last half of October. Where does the time go?

By the time you read this, I'll be in Nevada, meeting up with the people from **American Vanadium Corp. (AVC: TSX-V)**. We're going out into the field to see the company's vanadium deposit in Eureka County. I'll have more to say about it next week.

The Baltimore Event

Last week, a chunk of my time went to visiting Baltimore for the Agora Financial Safety & Survival Summit. There were over 200 attendees, including many ESI readers whom I've met over the years at Vancouver and other venues.

For those who were there, it was nice to see you all. I enjoyed meeting many new ESI subscribers as well. When people walk up and start talking with me, I appreciate it when you say where you live, what you do and what's going on in your life. I'm always impressed at the friendliness and accomplishments of my ESI readers.

When I sit down to write my articles, I actually envision the ESI readers I've met. Really, I feel like I'm writing a personal note to friends. It makes me want to work even harder to deliver the very best ideas and investment discussion your way.

If you missed the Baltimore event, [here's how to obtain a recording of all the speakers](#) ^[1] — my talk and the talks of my many colleagues. There was some great information that went out.

The Wealth of 54 North

If you weren't in Baltimore, and just so that we're all on the same page, I should mention that my talk was entitled *The Wealth of 54 North*. I won't repeat the whole thing here. Suffice it to say that I discussed three companies that I visited and wrote up in August and September.

It just so happens that all three companies are located at about 54 degrees north latitude — hence the title. If you've been following ESI, then you know the names.

Yes, I know that the stock market is down and that many stocks are way down. So I'm talking about really great companies with excellent assets and strong management teams. When the markets turn — whenever that is — you want to be invested in companies with strong upside.

Heavy Rare Earths

In Alaska, we've got **Ucore Rare Metals (UCU: TSX-V)**, with its "heavy" rare earth (HRE) play at Bokan Mountain, Prince of Wales Island, west of Ketchikan. In August, I wrote about my visit to [Bokan Mountain](#). ^[2]

Basically, in Baltimore, I pounded the table over the recent developments with Ucore. There's promising news about Ucore's metallurgy work to recover HRE — Phase I of an impressive engineering study. I told the audience that I expect to learn more about the downstream metallurgy in the next couple of weeks when I meet with Ucore's engineers to go over the data.

Frankly, Ucore isn't as far along in HRE metallurgy as **Stans Energy (HRE: TSX-V)**, what with the latter's superb relationship with the Russians. I've detailed the Stans play in many other articles. I'm in touch with Stans management on a regular basis, and things are going very well. (I'll discuss more about Stans next week.)

But in my view, Ucore is a strong HRE play in the North American development space. I mean that with

Ucore, the geology is well-defined. Mining at Bokan Mountain is doable. The exact mining sites are “uphill,” meaning that the ore will move down to the shoreline, just a short distance away, with a free assist from gravity.

The shoreline is adjacent to deep water, making logistics almost simple. Ucore can load the HRE ore right from the mine carts or conveyor system into a barge and then ship it anywhere that boats can float — which is a lot of places.

The destination of the ore from Bokan Mountain could be a new processing facility in Alaska, which the Alaska politicians strongly support. Or the ore could go elsewhere on the U.S. West Coast, or anywhere else in the world. Really, the early mining steps are far simpler and cheaper for Ucore than for, say, certain other companies’ tasks, which include building 200 miles of roads through trackless Canadian wilderness.

Gold and Silver Play

After discussing Ucore, I moved east across the 54th parallel to Lynn Lake, Manitoba. I discussed **Carlisle Goldfields Ltd. (CGJ: TSX)**, which [I wrote up in mid-August](#).^[3]

Basically, I reviewed the hard work that the Carlisle field teams performed all summer, drilling away in this old copper-nickel mining region. Again, I focused on the logistics, since there’s a rail spur that goes right into town. It gets back to that point I like to make over and over in ESI, that the best place to build a mine is next to another mine.

Right now, Carlisle management is putting its drilling data together to revise the 43-101 report. I believe that it’ll be a dramatic upward revision that will draw quite a bit of attention from intermediate and large miners.

I can’t give you any exact numbers just now for Carlisle. The engineering effort is a work in progress, due out soon or by the end of the year. Based on what I saw during my visit, there’s a lot of resource in the ground in Carlisle’s claims near Lynn Lake. I think we’ll all be happily surprised.

The Next Age of Carbon

Finally, I moved further east, to northeast Quebec, to discuss **Focus Metals (FMS: TSX-V)**. As ESI readers know, I described my visit to the Focus graphite deposit [in a recent note](#).^[4] The Lac Knife deposit is an astounding ore body. It’s likely one of the highest-grade large graphite ore bodies ever discovered anywhere.

In Baltimore last week, I talked about the ever-increasing uses for graphite and its high-end derivative, graphene. Indeed, the next “carbon era” won’t be all about burning that element, as is the case with the fossil fuels that power the world. No, the coming carbon era will use graphite and graphene, plus other derivatives, to make all manner of new products.

We see graphite already in many new applications, from fireproofing airline seats to building the structure and hull of the Boeing 787 Dreamliner. Graphite is very light and super-strong. Researchers are working to transform graphite into almost-indestructible building materials, as well.

Other uses for graphite and graphene include the next generations of computer chips, replacing silicon. For all the improvements in computers over the past 30 years or so, your computing power will continue to magnify further with graphene-based chips. It’s another way of saying that “Moore’s law” has not run its course, not by a long shot. The thing to keep in mind is that the next big steps will be based on hexagonal carbon, versus tetragonal silicon.

Strategic Carbon

At the Baltimore conference, I mentioned to the audience that Focus Metals is funding research into uses for graphite and graphene, over and above its work, simply to develop the basic high-grade deposit at Lac Knife. In that sense, Focus is not just a resource play, but it has a high-tech angle as well.

In my talk, I mentioned that graphite appears to have electrical properties that make it useful to protect against a highly destructive effect known as electromagnetic pulse (EMP) — or what the British used to call “radioflash.”

Briefly, EMP is based on a phenomenon of physics called the Compton effect, which describes what happens with an abrupt burst of electromagnetic energy. For our modern purposes, EMP is associated

with high-altitude nuclear bursts. The nuclear detonation generates gamma rays that smack into other elements and molecules and dislodge electrons. These electrons then transmit along anything that's conductive, creating immense surges in voltages and currents.

The bottom line here is that EMP can wipe out all but the most "hardened" of electrical and electronic circuits. Basically, in the case of EMP, every solid-state device within range will fry (so to speak). The circuitry will just overload, burn out and die. If you want to read a sobering book about the effects of EMP, try [*One Second After*](#),^[5] by William R. Forstchen.

It's only a book, right? A work of fiction, right? Wrong. In addition to the economic meltdown that's affecting the world, there's also a significant threat of cyberterrorism, including EMP. How bad is it? Very, very bad, I'm sorry to have to say.

Not long ago, I sat through an information-packed seminar sponsored by defense contractor Northrop Grumman. One of the speakers was David Fulghum, the highly respected writer for *Aviation Week & Space Technology*. Fulghum gave an absolutely bone-chilling outline of the EMP threat to the U.S. — as well as to Canada, Western Europe, Japan and other allies. For example, one well-placed EMP attack could knock the U.S. economy offline such that it'd take 30 years to recover — if it ever did.

Pretty scary stuff, eh? And what does this EMP-issue have to do with Focus Metals and its graphite? As I mentioned above, the company's research may lead to a means of encasing sensitive electronics in graphite or graphene and protecting the innards against EMP.

Yes, graphite is very strategic. It's not just for "lead" pencils anymore.

That's all for now. I have to gear up and head out on the road to get to Nevada. I'll update you on American Vanadium soon, as well as Stans, and also take a hard look at the gold and silver miners in the ESI portfolio.

Thanks for reading ESI. Have a good week.

Best wishes...

Byron W. King

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URLs in this post:

[1] here's how to obtain a recording of all the speakers:

<https://reports.agorafinancial.com/safetysurvivalsummit201169/E400MA28>

[2] Bokan Mountain.: <http://energyandscarcityinvestor.agorafinancial.com/2011/08/12/ucore-rare-metals-and-bokan-mountain/>

[3] I wrote up in mid-August.:

<http://energyandscarcityinvestor.agorafinancial.com/2011/08/24/my-visit-to-a-manitoba-gold-mine-its-not-a-fish-story-if-you-really-catch-the-fish/>

[4] in a recent note.: <http://energyandscarcityinvestor.agorafinancial.com/2011/09/14/on-the-hunt-for-graphite-my-site-visit-to-lac-knife-quebec/>

[5] *One Second After*,: [http://www.amazon.com/dp/0765356864/ref=as_li_tf_til?](http://www.amazon.com/dp/0765356864/ref=as_li_tf_til?tag=therudeawaken-20&camp=0&creative=0&linkCode=as1&creativeASIN=0765356864&adid=0K0EEV2P182GSYNFXZQ8)

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