

# Cambridge Phoenix 2008

February 9, 2008

Presented by John Kaiser

**Missed the Bull? Now's your  
chance!**

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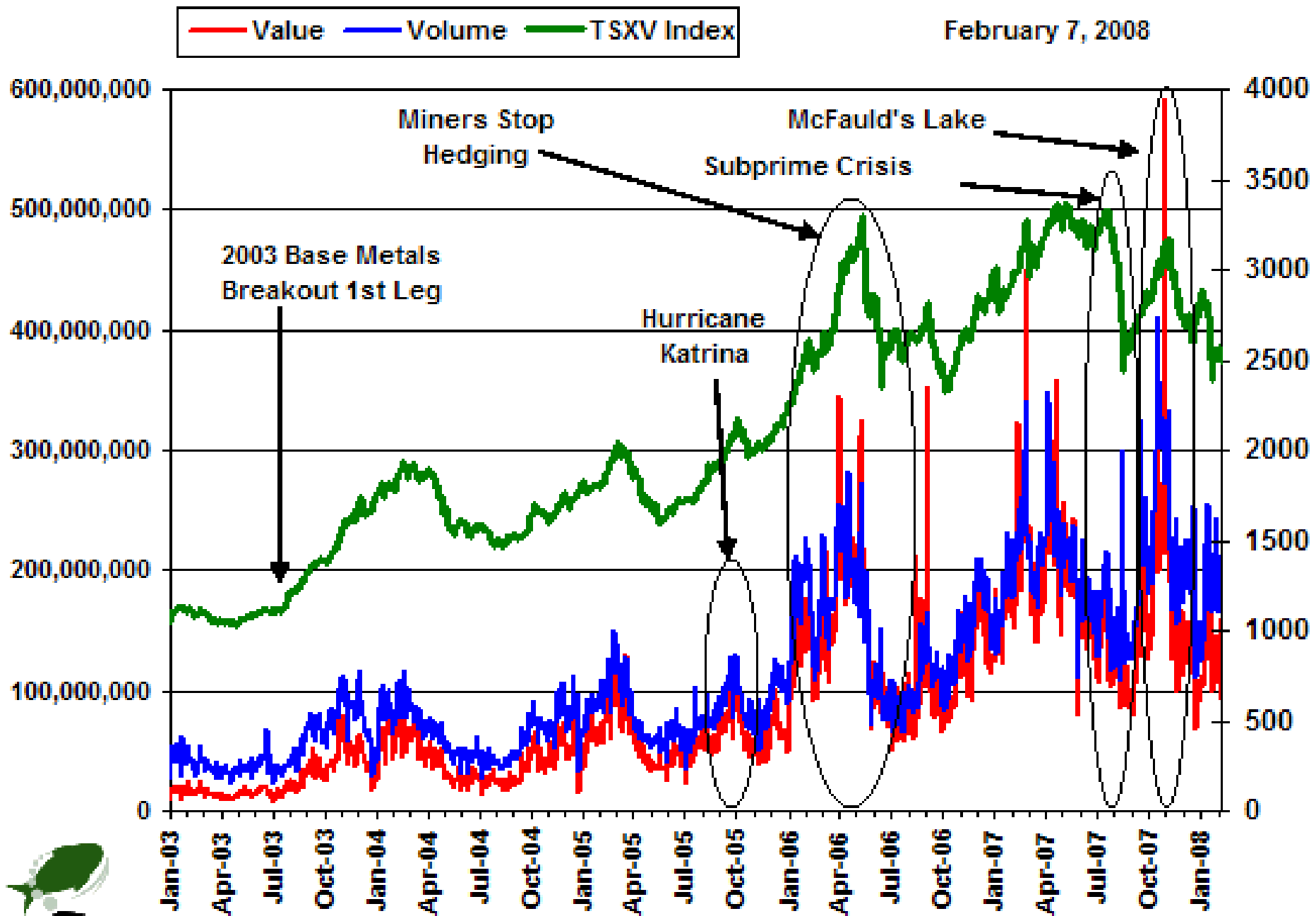


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# Daily TSXV Volume & Value Traded

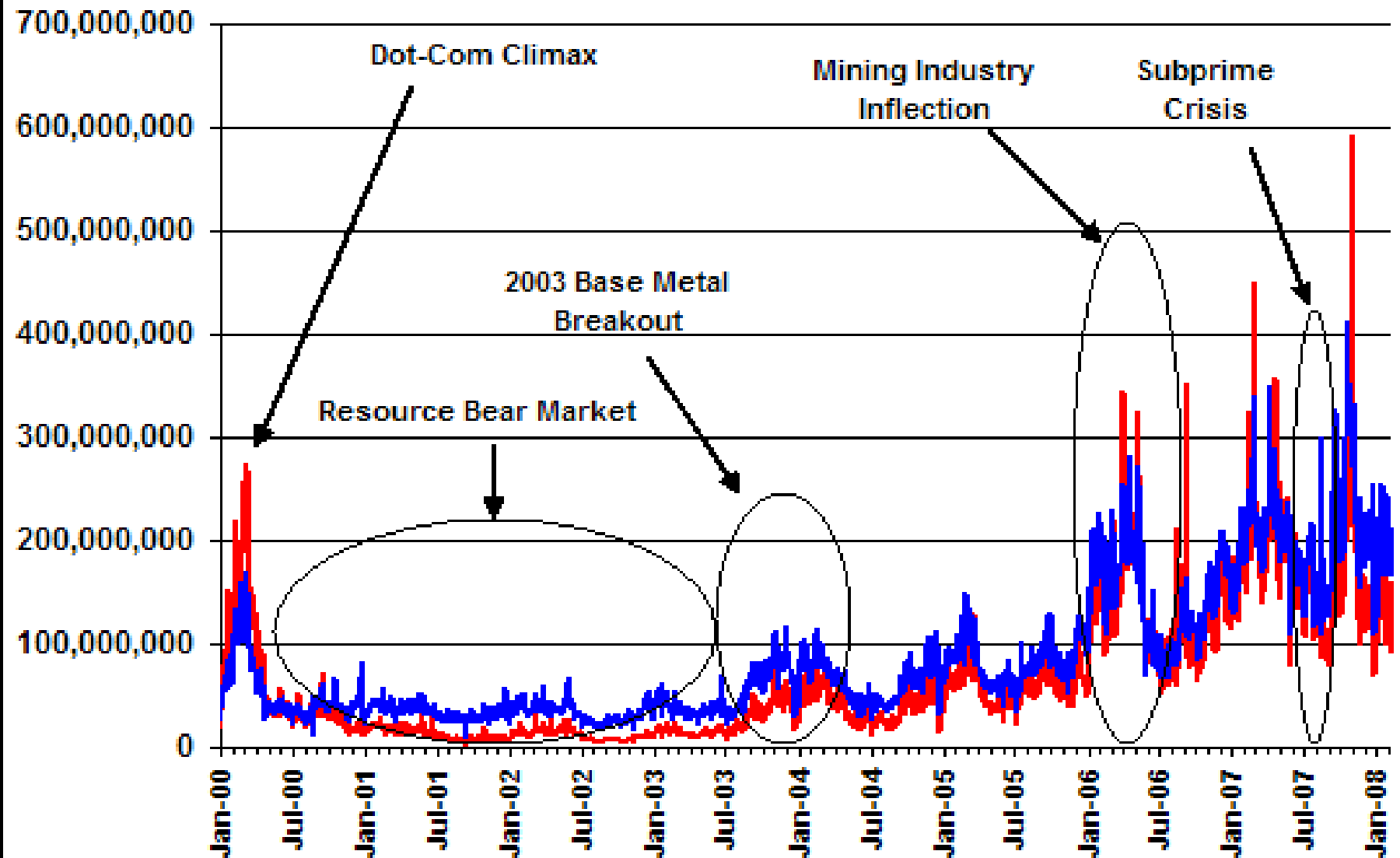




# Daily TSXV Volume & Value Traded

— Value — Volume

February 7, 2008

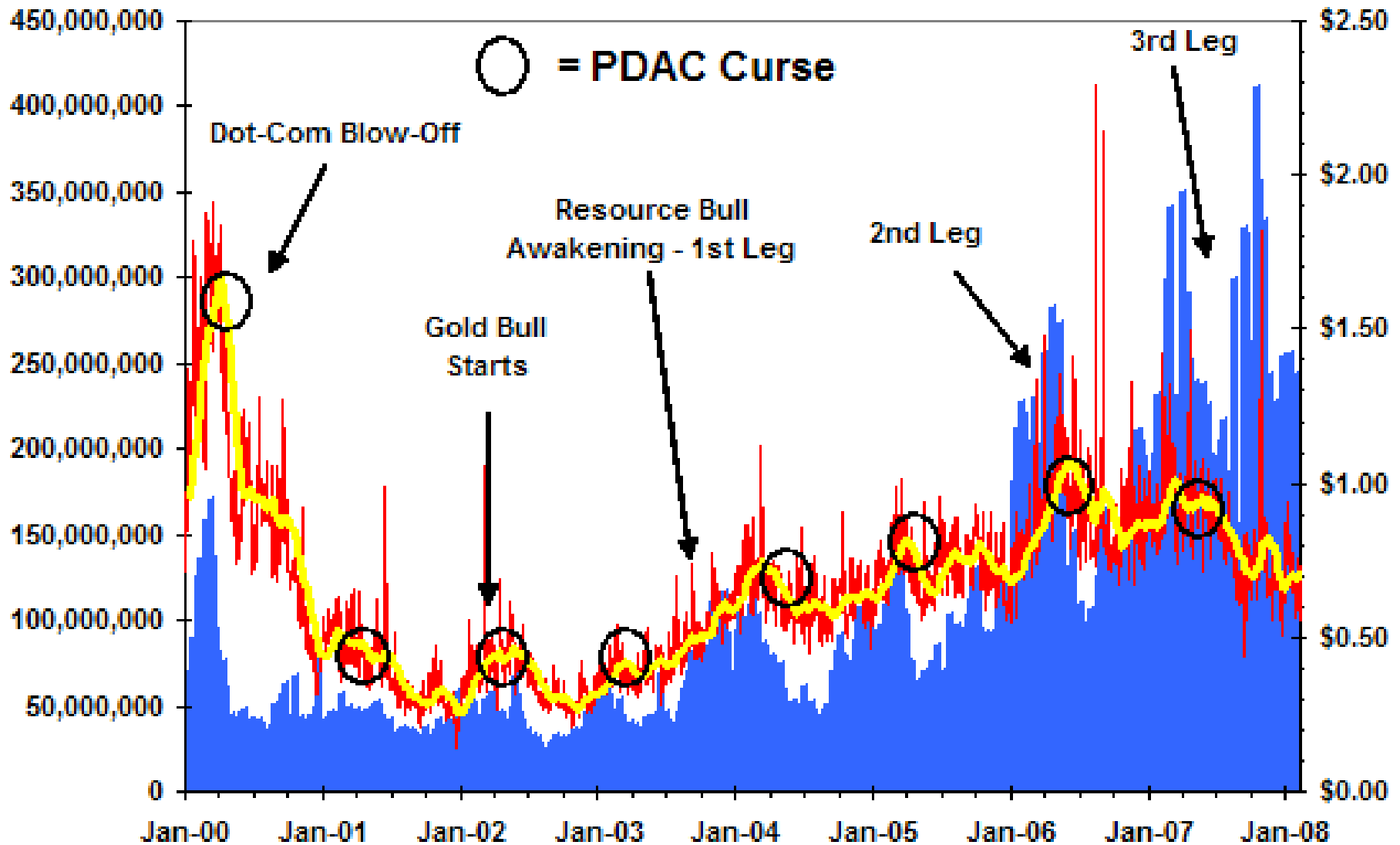


# Daily TSXV Volume and Average Trading Share Price



Volume — Average Share Price — 30 Day Average Price

February 7, 2008

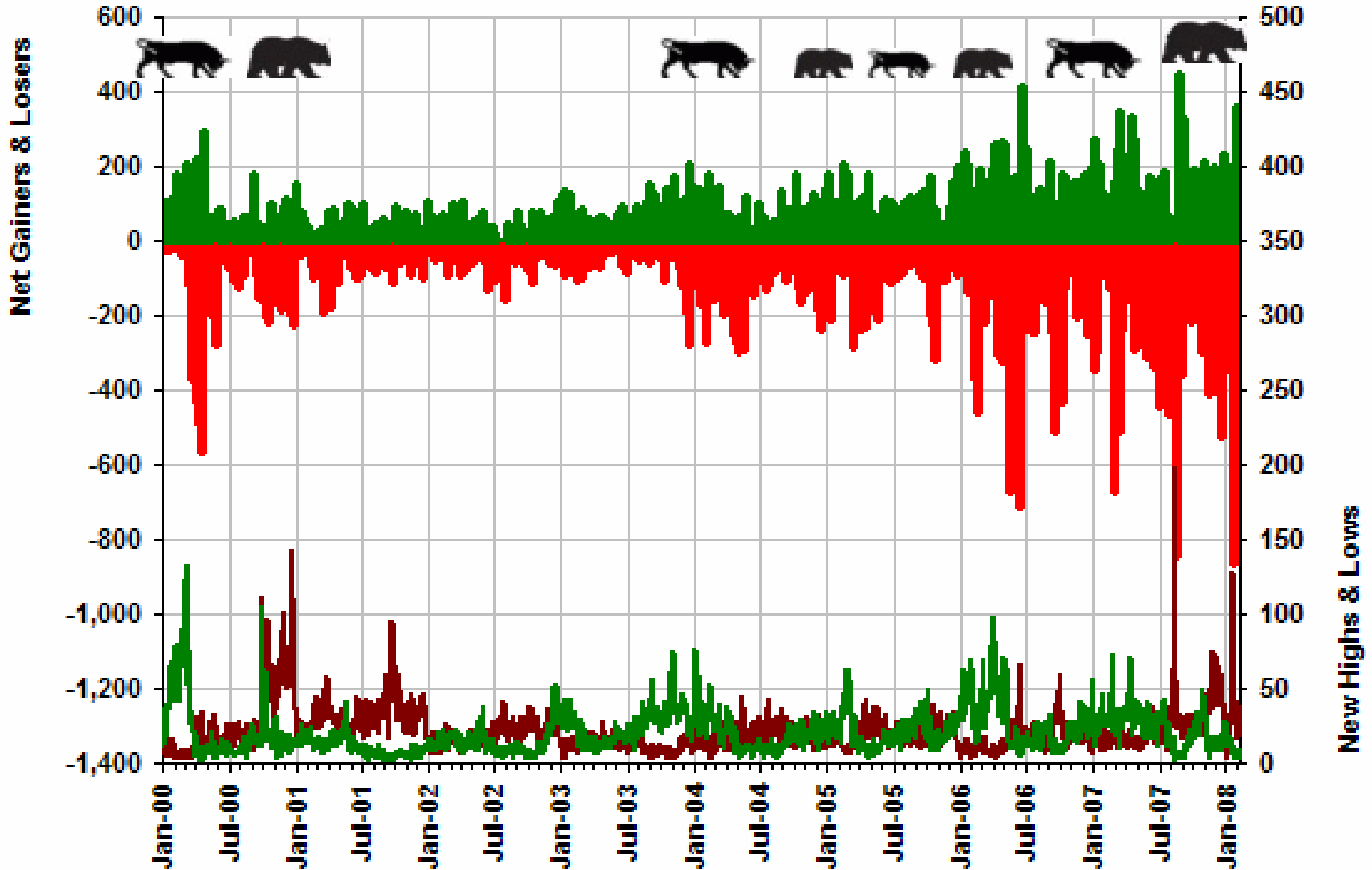


# Daily TSXV Market Trends - Long Term



Cyclical Bears vs Structural Bulls

February 7, 2008

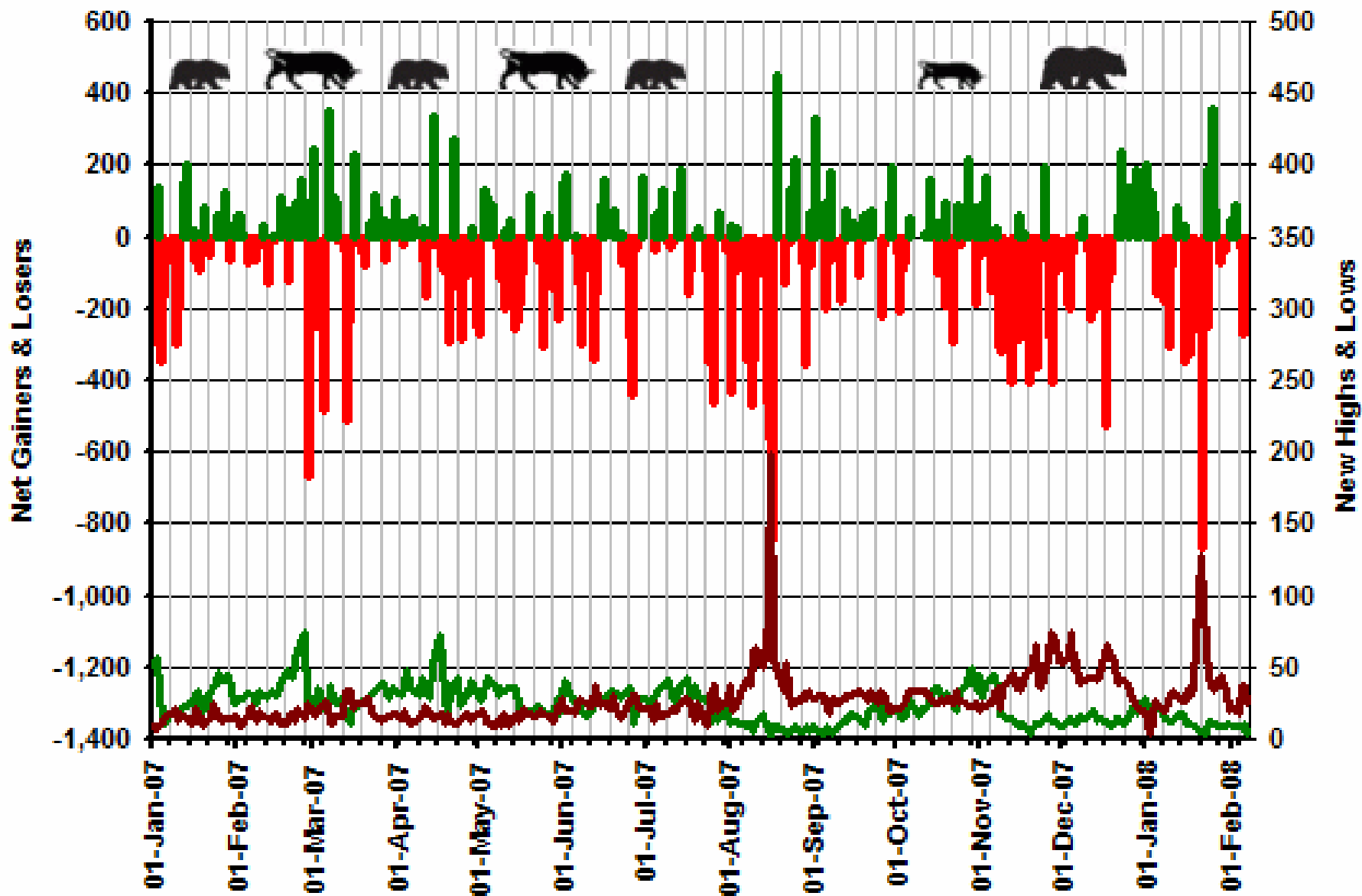


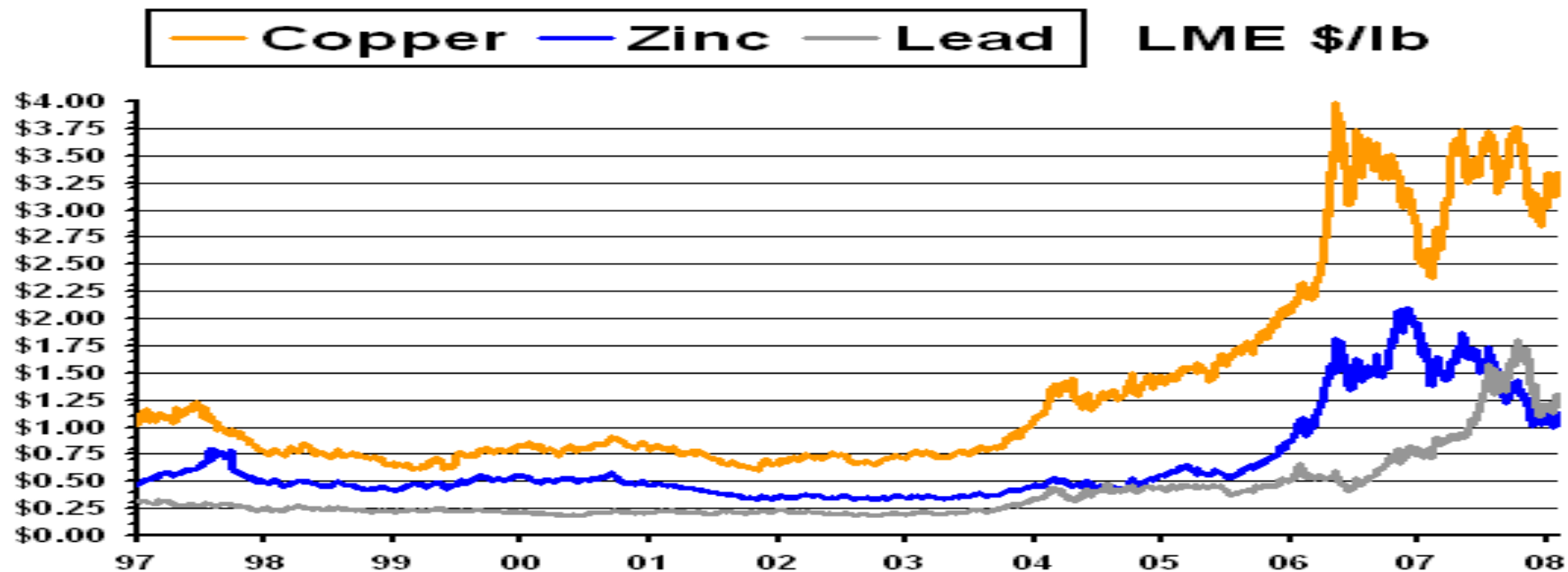
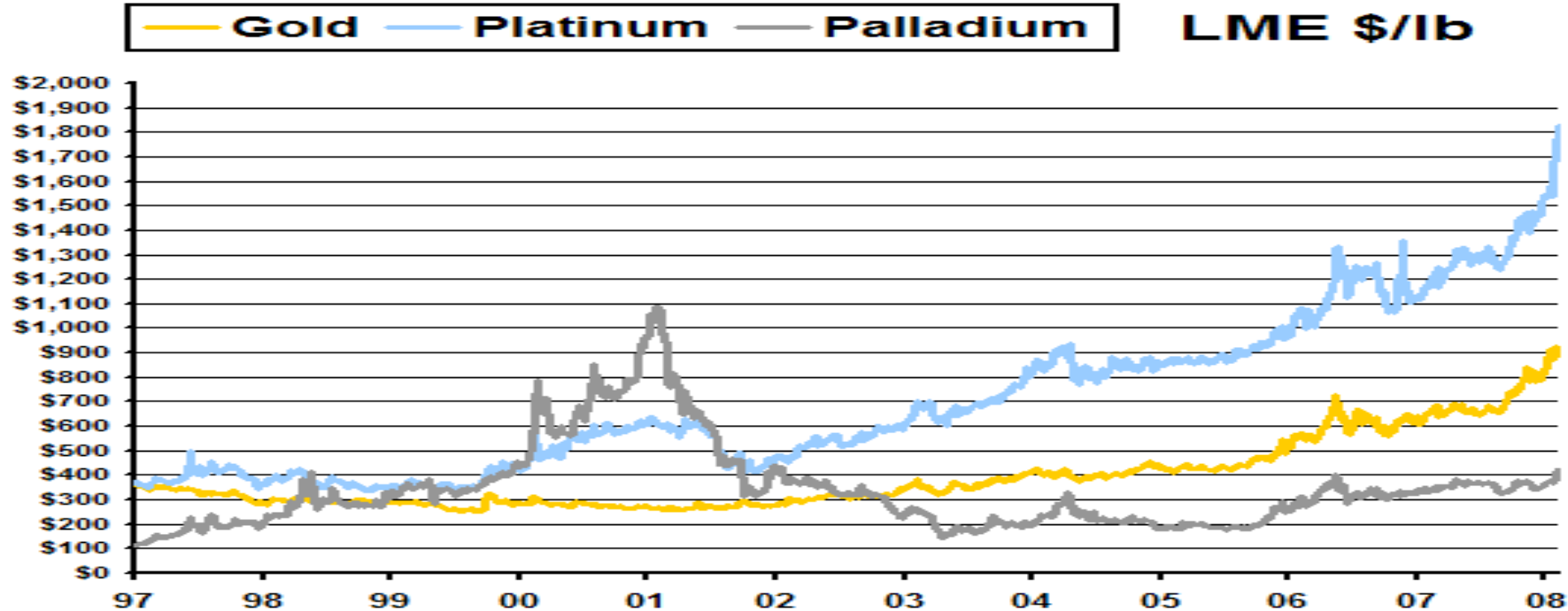
# Daily TSXV Market Trends - Very Short Term



Net Gainers (green) & Losers (red) - bars  
New Highs (green) vs New Lows (brown) - lines

February 7, 2008



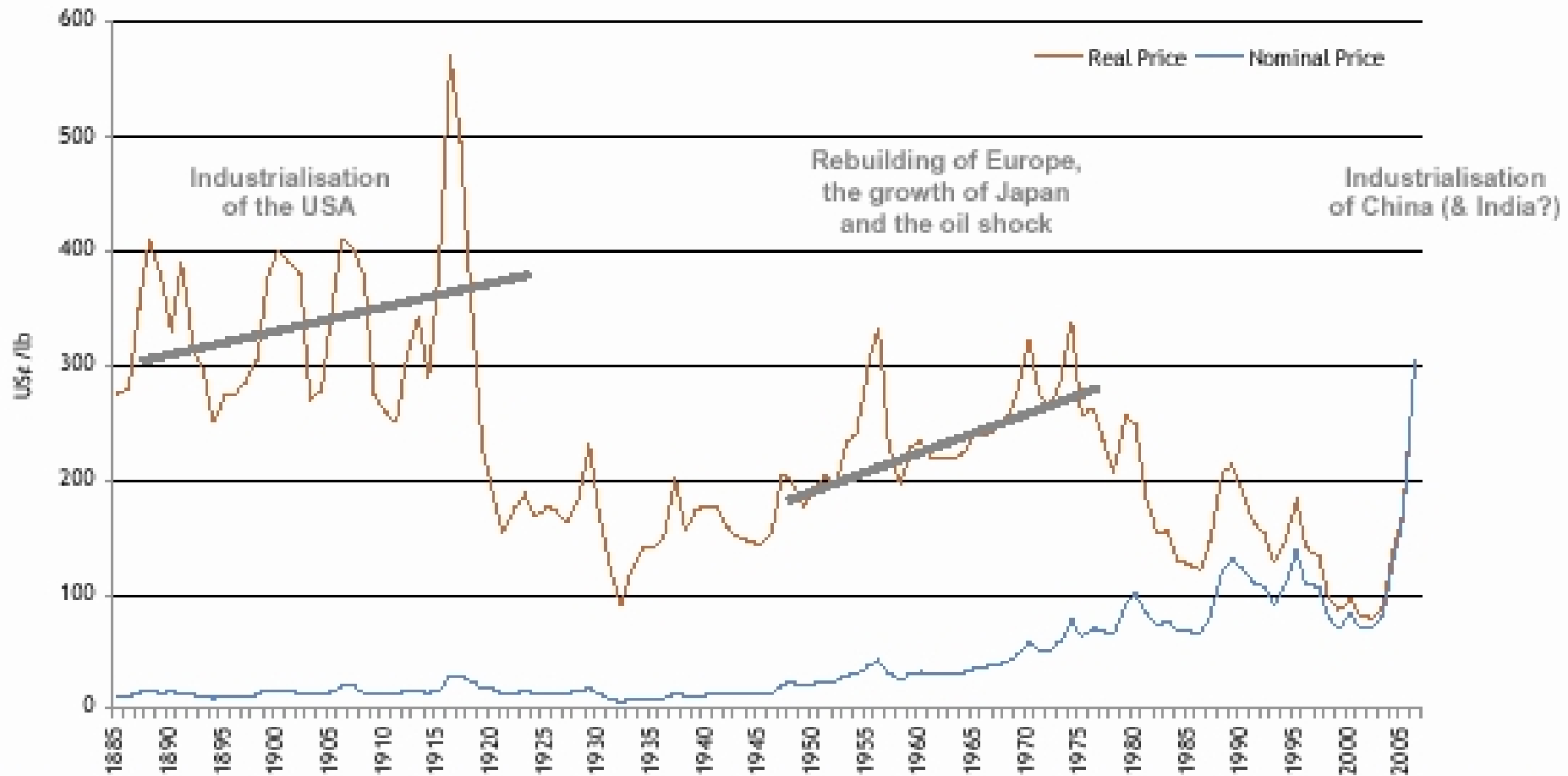




# Super Cycle or Business Cycle?

Copper prices since 1885

Source: Xstrata June 2007 Presentation



Price spikes can occur due to supply issues, but a true super-cycle is underpinned by demand

**Get ready for a raw  
materials bull market like  
you have never seen  
before!**

**What you are witnessing is just a pause.**

# The Wall of Worry

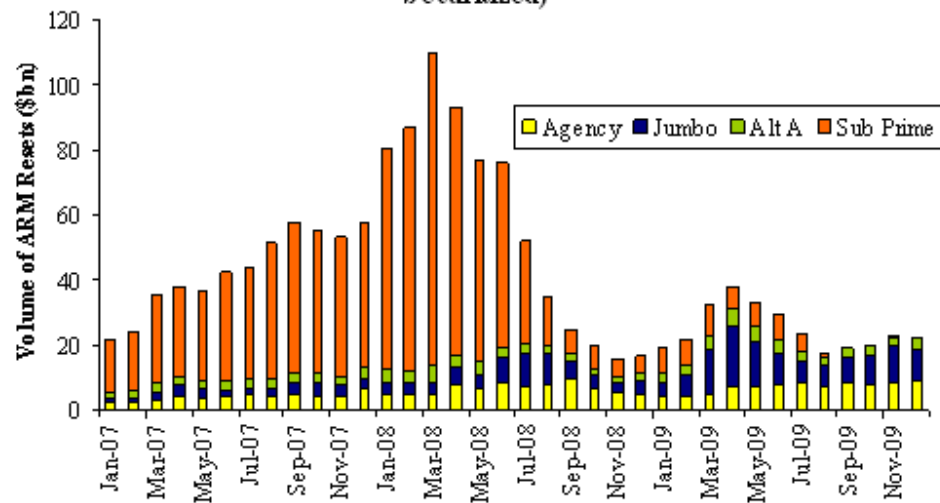
- Securitized Mortgage Paper
- Subprime Defaults
- Asset Backed Commercial Paper
- Liquidity Crunch
- Foreclosure
- Real Estate Collapse
- Reverse Wealth Effect
- Bankruptcy
- Globalization
- OECD Deindustrialization
- Energy Costs
- Derivative Collapse
- Collapsing US Dollar
- Stock Market Collapse
- Minneapolis Bridge Collapse
- Republican White House
- Clinton White House
- Iraqi Quagmire
- Pakistan and Iran
- Osama bin Laden
- Implosion of China
- Resurgence of Russia
- Creationism
- Pandemic
- Global Warming
- Food Price Inflation
- Base Metal Price Bust
- Recession
- Depression
- Apocalypse

**Did I miss anything else that could go wrong?**

# When was the last time the consensus outlook correctly anticipated the future?

Crisis is the trigger for radical change.

Monthly ARM Reset Schedule by Sector (Securitized + Non-Securitized)



# **In 10 years the China Price will be extinct, but will that also be our fate?**

- **China must develop a domestic consumer economy if its new wealth is not to end up concentrated in the hands of a minority, a condition that could unleash a human catastrophe that will make the Holocaust and the Stalinist purges look like historical footnotes**
- **The OECD must figure out what economic role its people can in the meantime play that does not involve a decline in living standards**
- **Asia will become like us in the west, and to avoid a collective footprint that flattens the planet we must change what makes us happy**

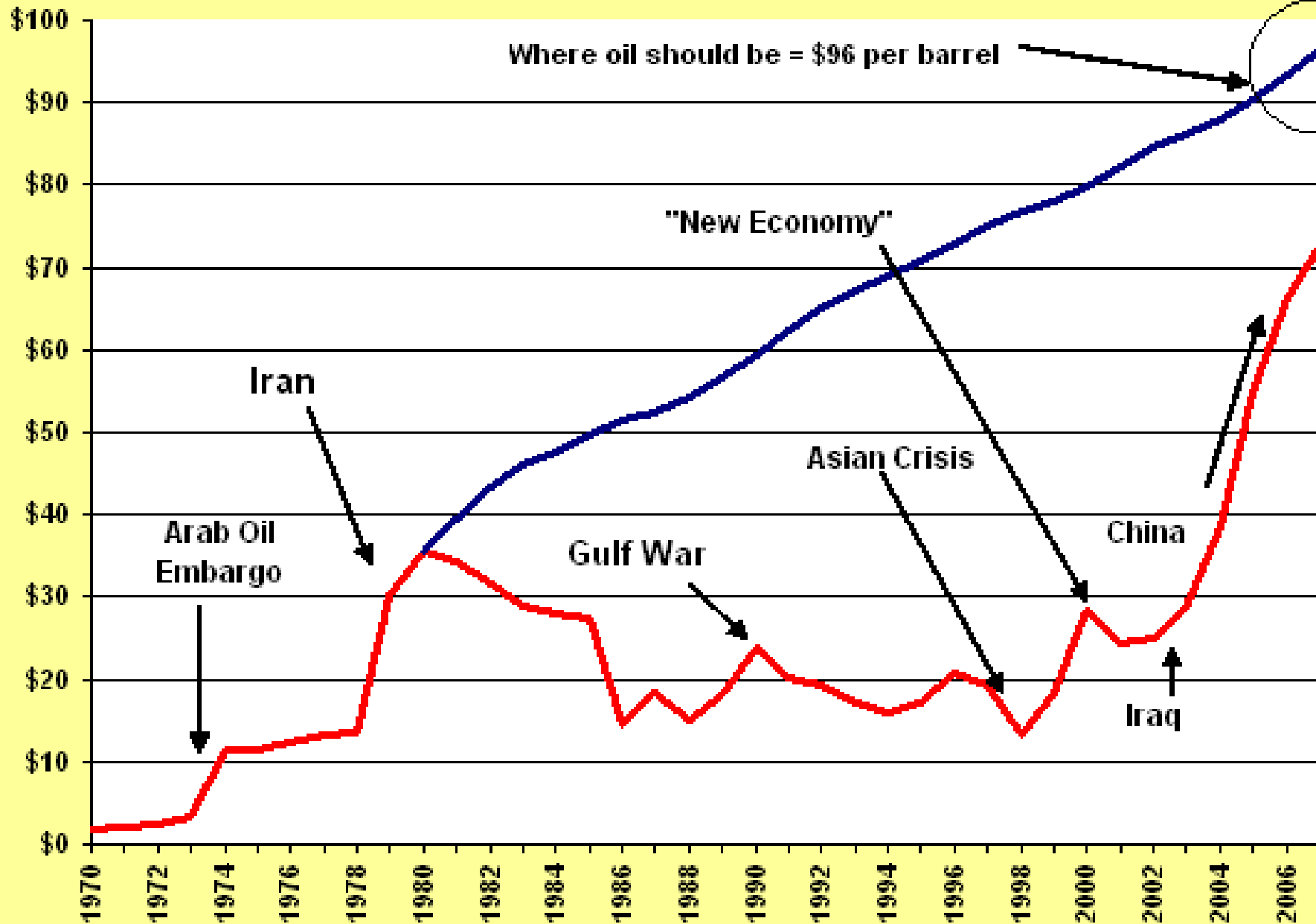
# **The Green Movement done right**

## **Reducing our Footprint**

- **Reject planned obsolescence: insist on more durable goods**
- **Insist on greater efficiency for energy consumption**
- **Insist on renewable forms of energy**
- **Pursue happiness that is less dependent on the accumulation of physical stuff**
- **Bridge the gap between active artist and passive art consumer**
- **Green Church, Spirituality and Faith: many paths to the peak vs religion as a coercion system that exploits us-them polarization**

# Brent Oil - annual average

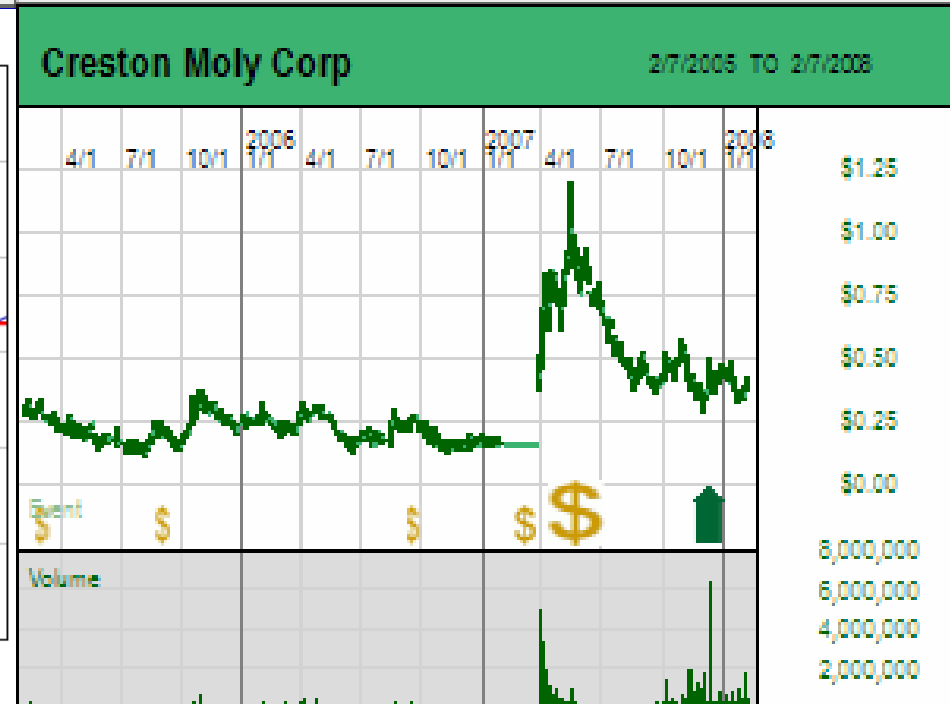
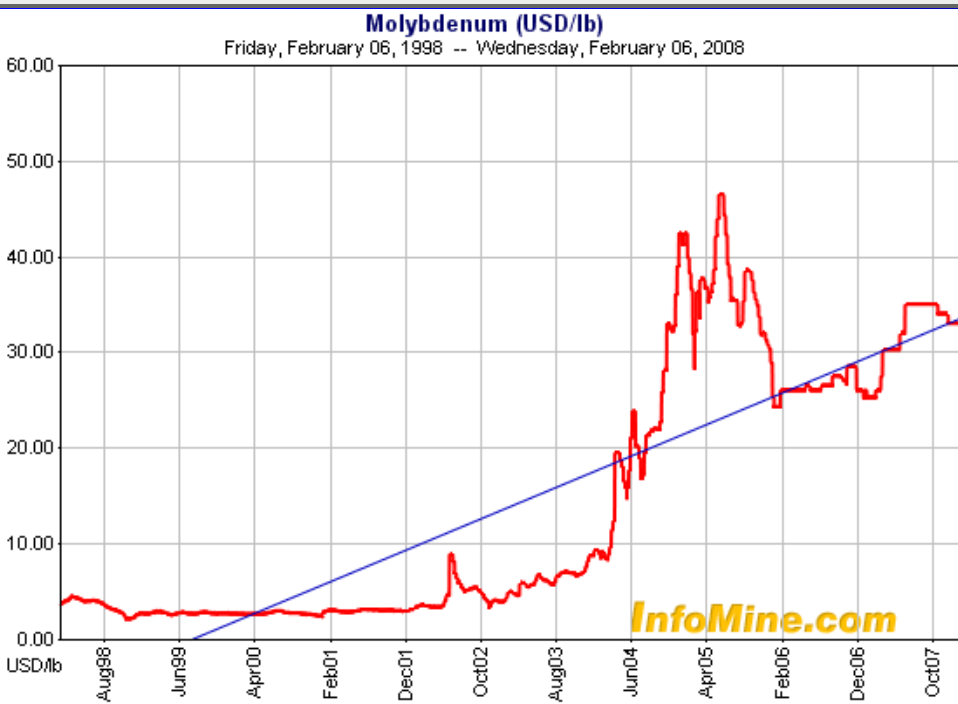
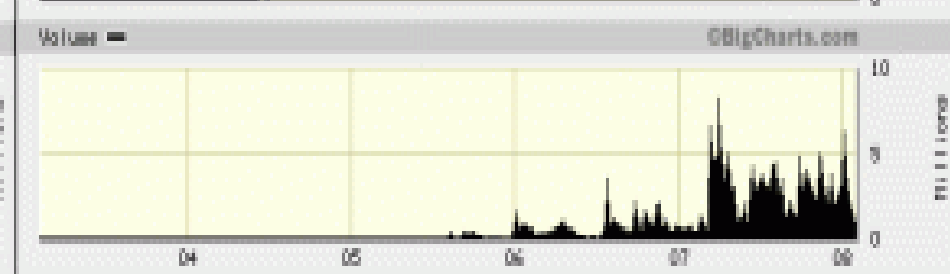
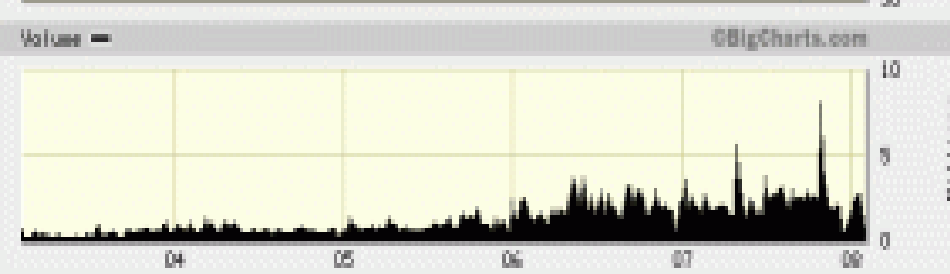
— Actual Oil Price  
— 1980 Base Inflation Adjusted



# The Renewal of the West

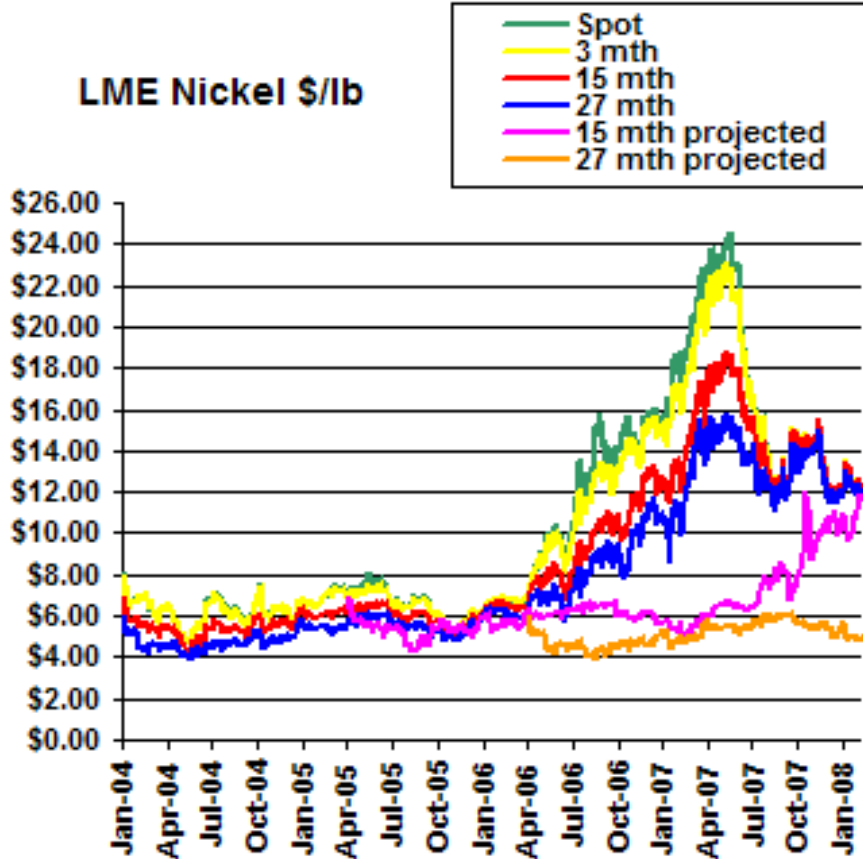
- **Transformative Infrastructure Renewal geared toward new forms of energy consumption**
- **Home construction boom was a precursor, watch for a capital project boom in the US that keeps Americans busy while China transitions from an export parasite to a self-sustaining economy**
- **Watch for an inter-generational transfer of wealth that involves “irrational” economics**
- **Watch the growing Silicon Valley venture capital boom in green technology**
- **Watch raw material and energy prices never go back to the bear market levels of 5 years ago**



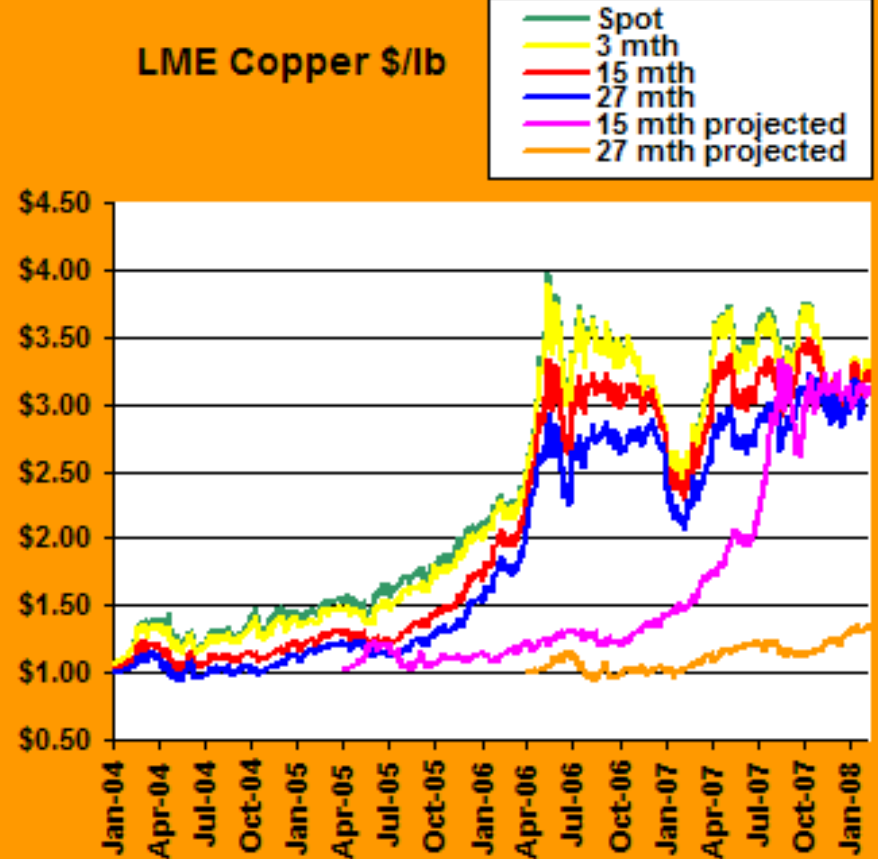


# Cyclical Bears have enjoyed many small victories while continuing to lose the war with the Secular Bulls

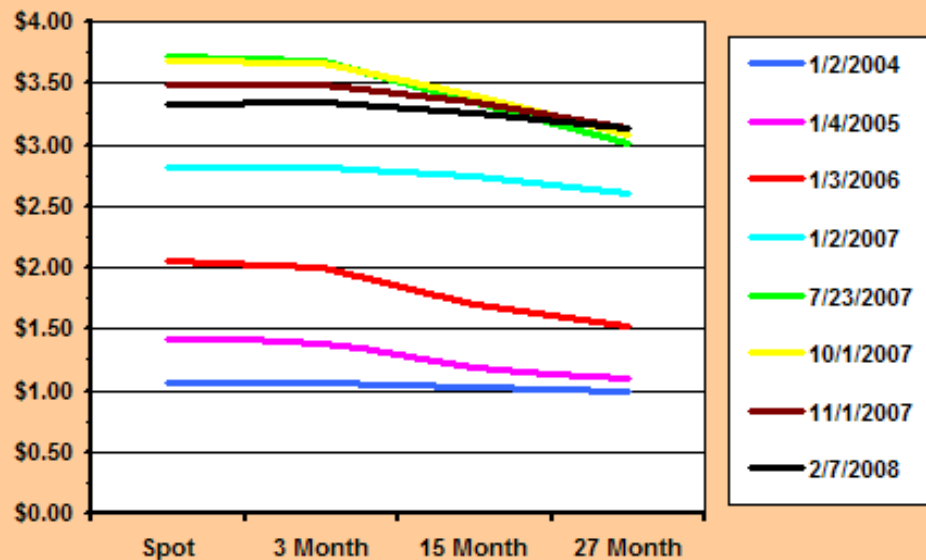
LME Nickel \$/lb



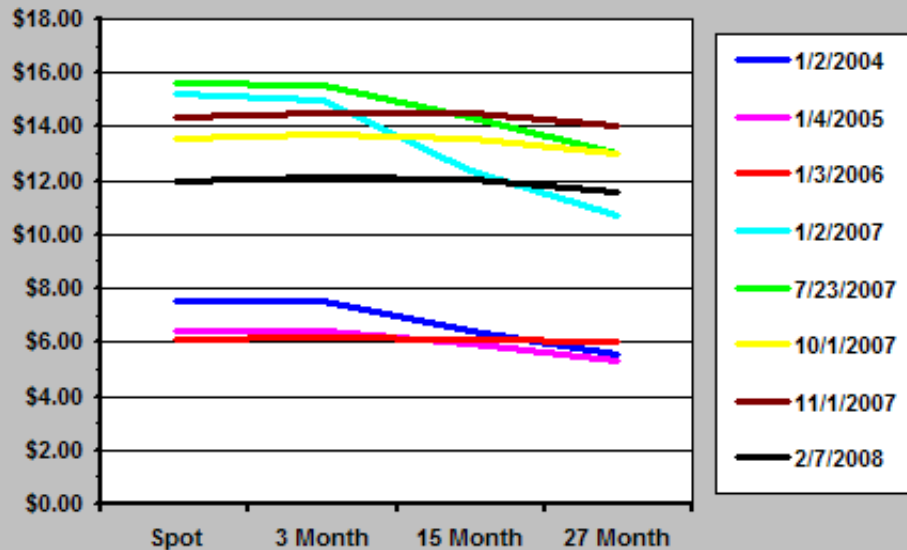
LME Copper \$/lb



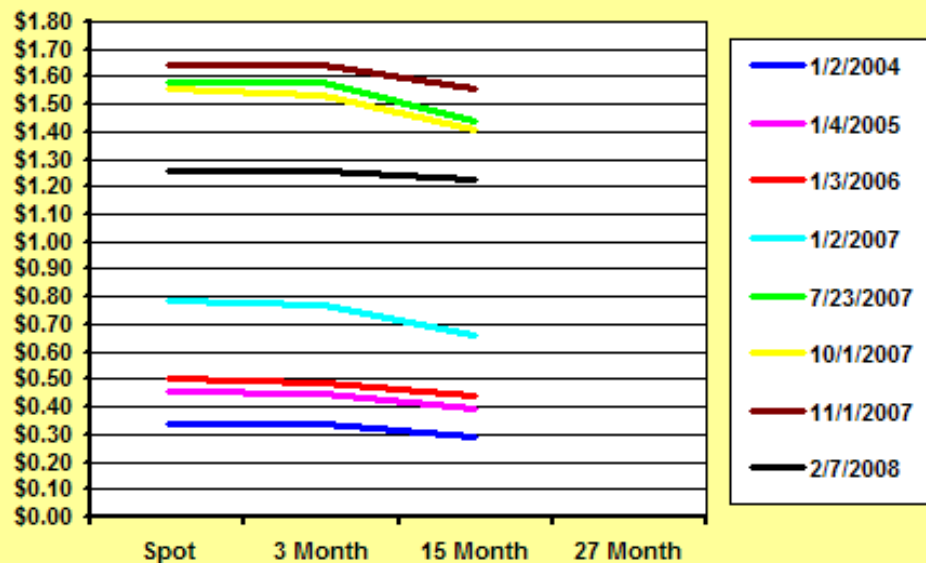
### LME Copper Futures Curves



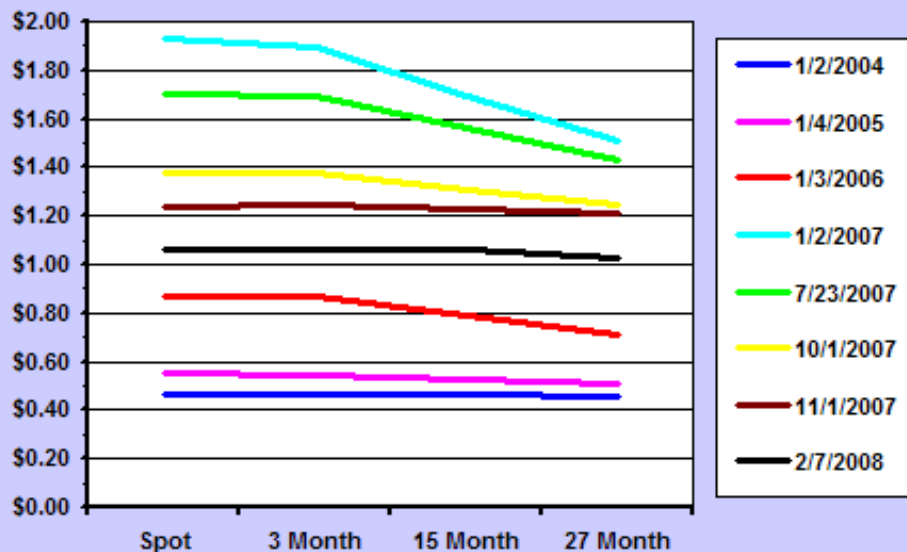
### LME Nickel Futures Curves



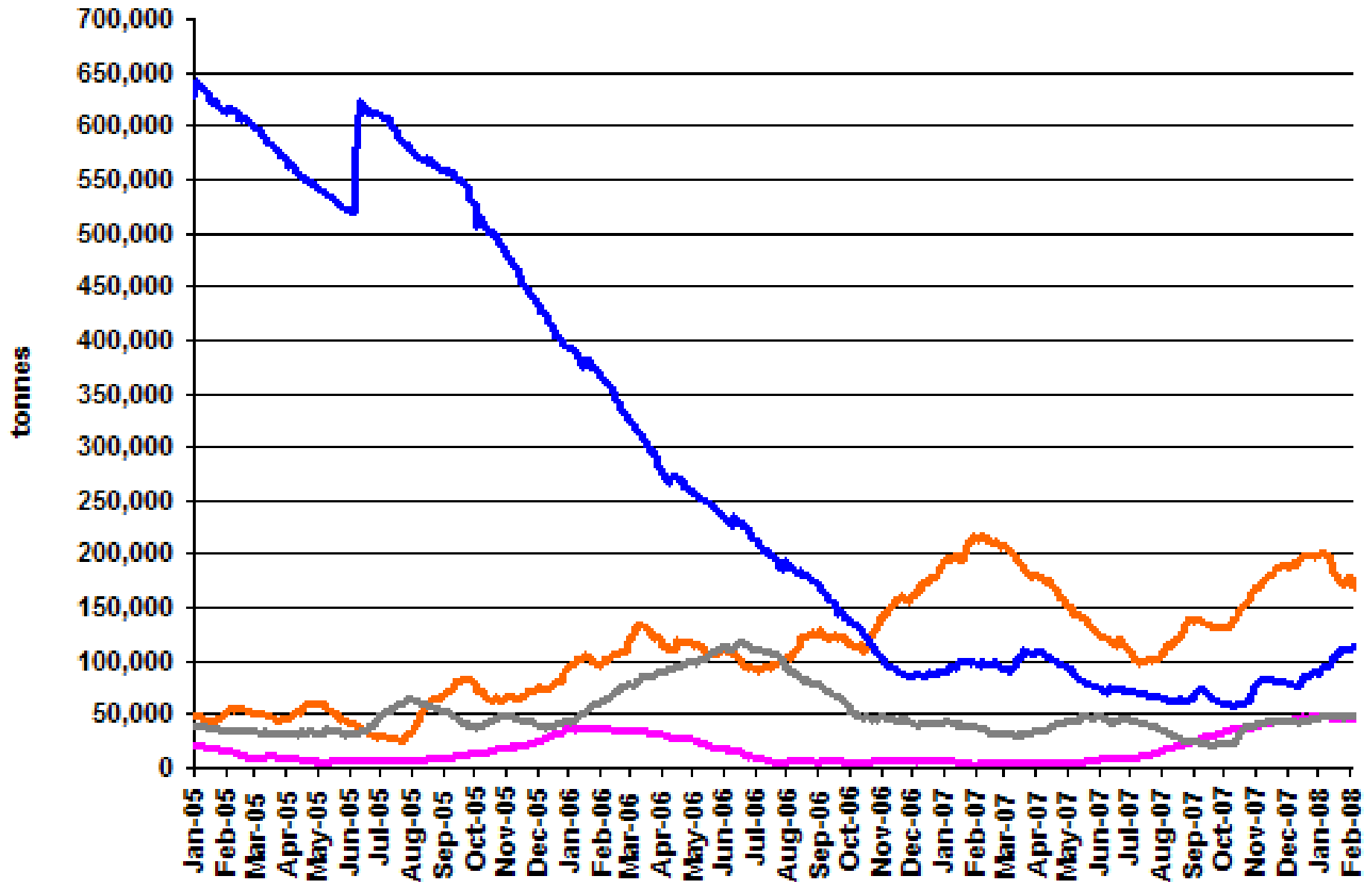
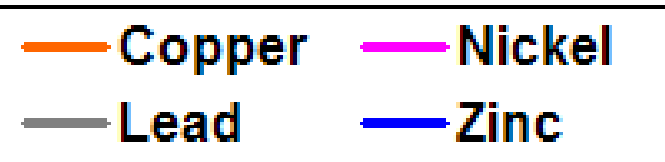
### LME Lead Futures Curves



### LME Zinc Futures Curves

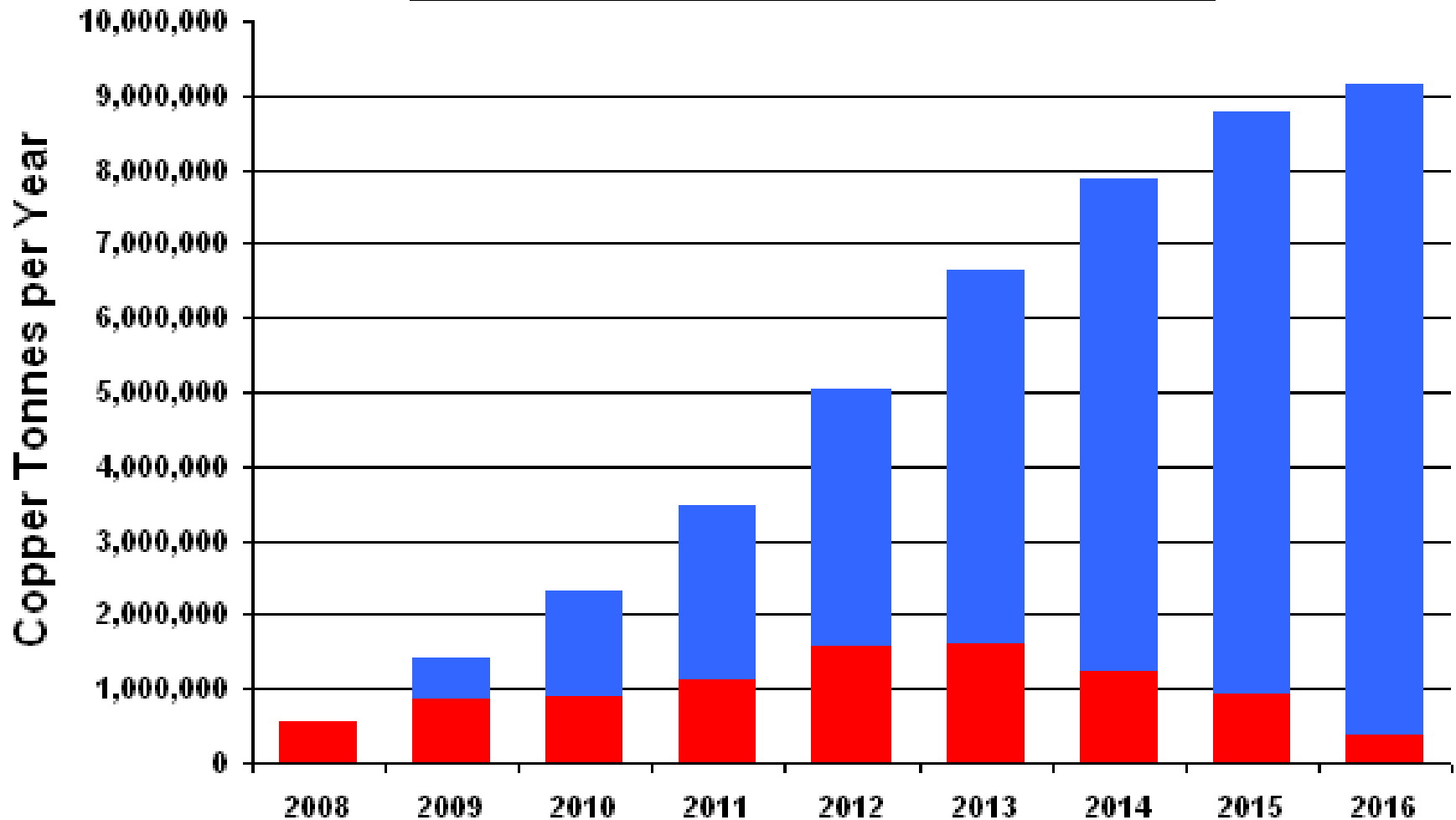


# LME Warehouse Stocks



# Projected New Copper Supply

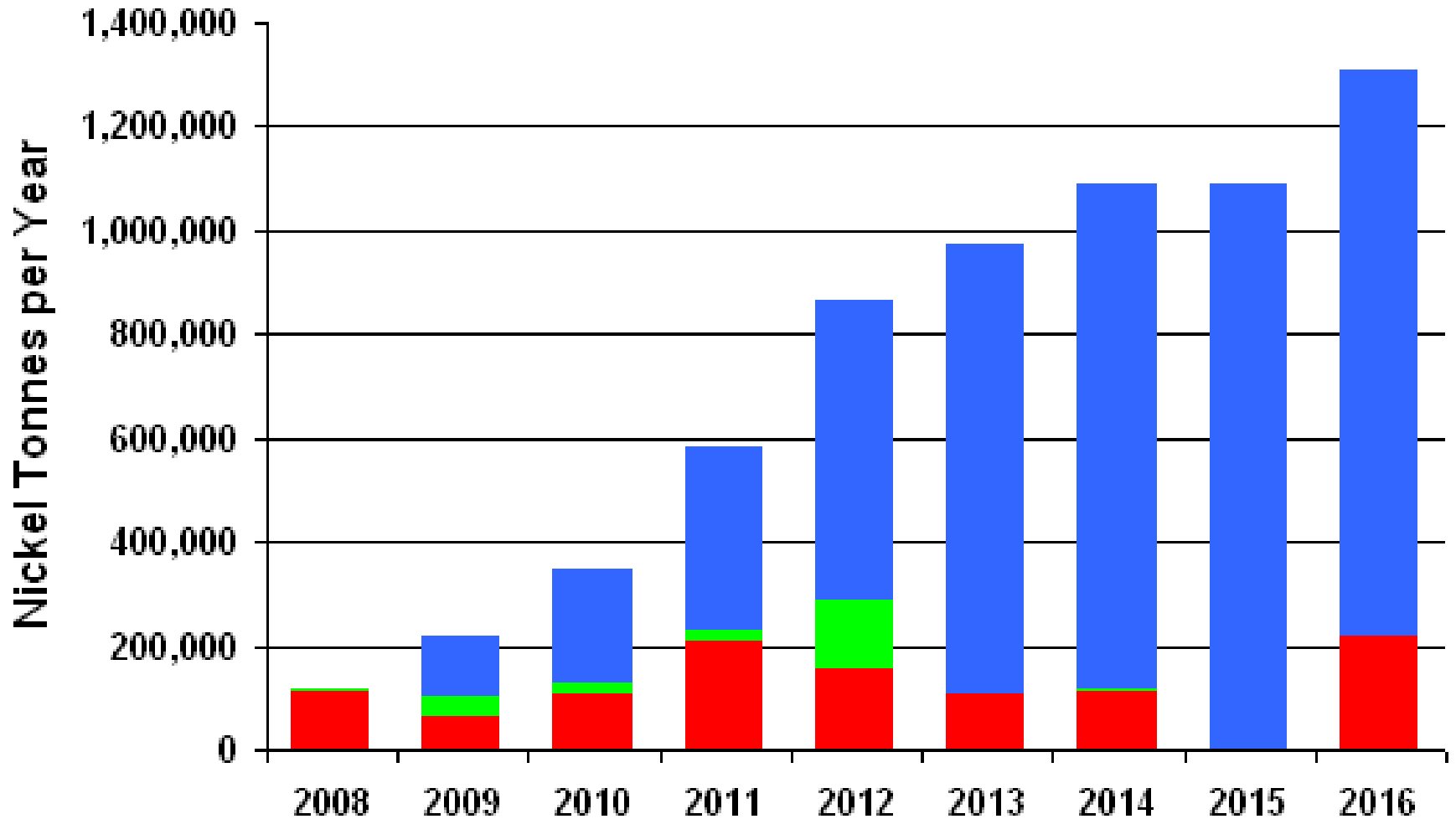
(2007 Estimated Supply: 16,800,000 tonnes)



Source: Credit Suisse September 2007

# Projected New Nickel Supply

(2007 Estimated Supply: 1,600,000 tonnes)

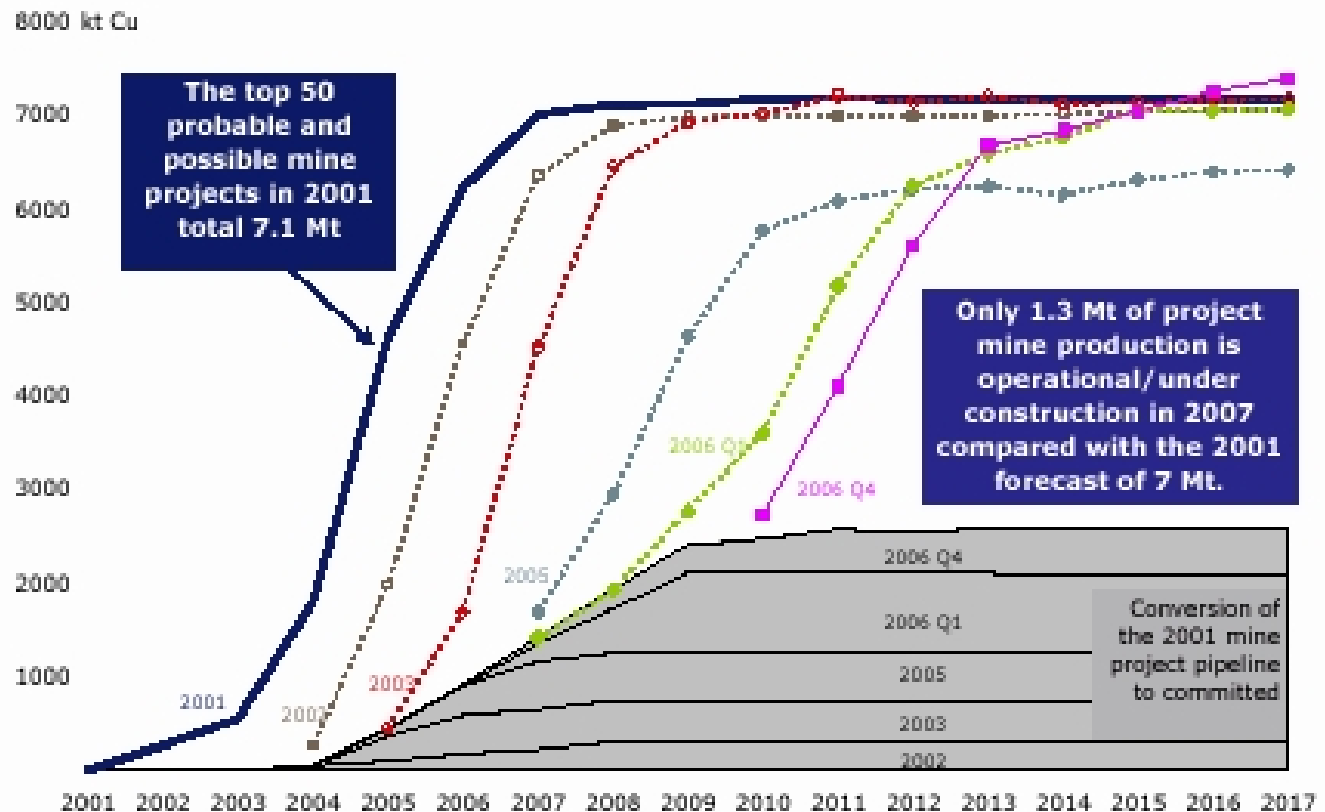


# Supply-side optimism fails to reflect today's higher cost reality



## Copper Output Growth from New Projects: Expectations vs Reality

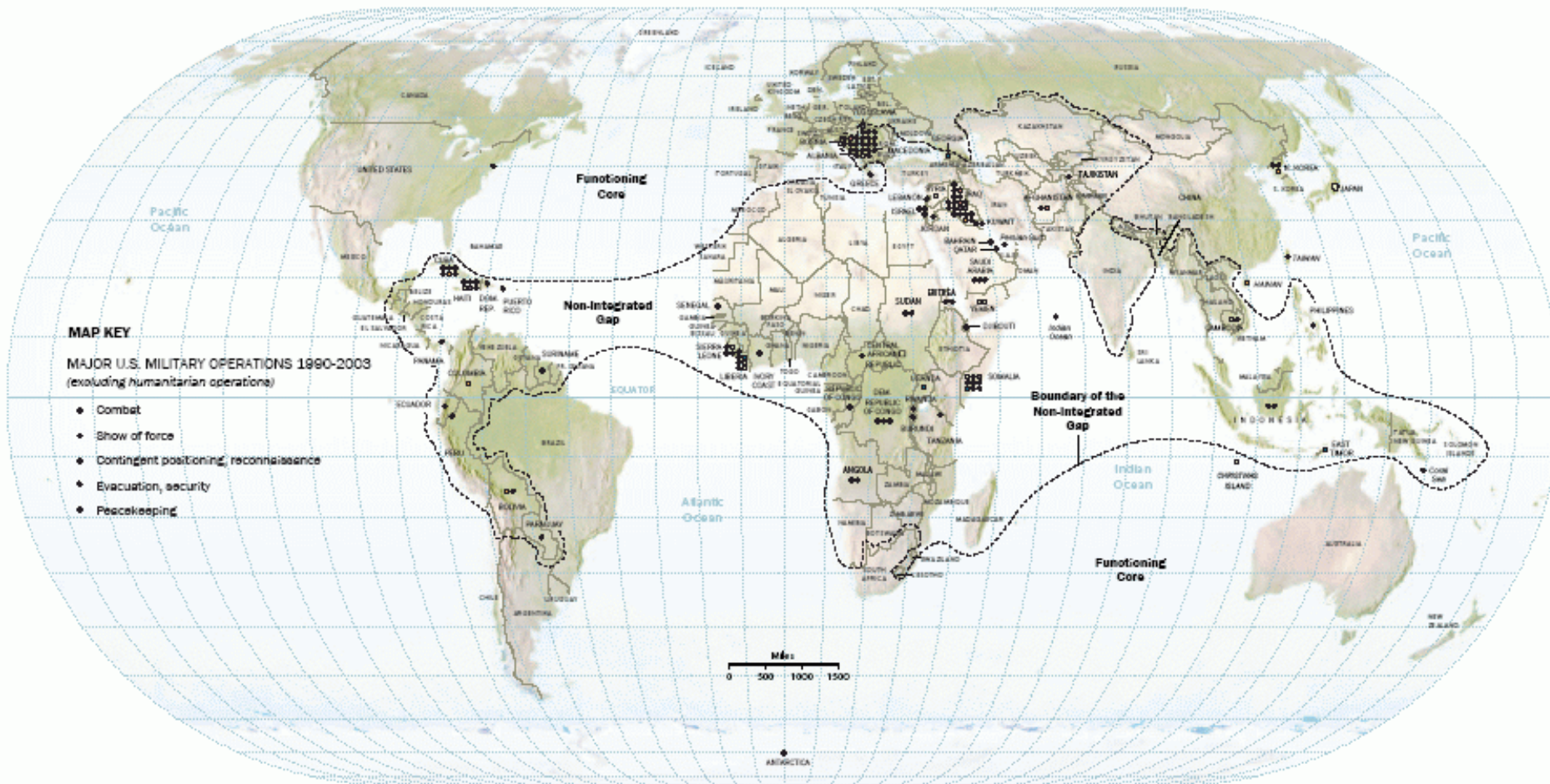
- There is a gap between the expectation and the reality of project delivery
- High prevailing prices have not yet shortened this expectation gap
- Shortage of skills and equipment, riskier jurisdictions and higher costs leading to longer lead times



- Higher long-term prices due to increased marginal cost of supply
- Supply will take time to catch up with rampant demand growth

# Globalization and its Discontents

## The Pentagon's New Map: War and Peace in the Twenty-First Century



Response data source: U.S. Military Services via  
Dr. Henry Gaffney Jr. / The CNA Corporation

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**Beware the fragmentation of commodity supply channels as strategic value becomes an important part of acquisition and production decisions.**

**Making economic war under the American eye in the sky**

# **Mantra for the Race to Production**

**Ask not what higher metal prices would do for your junior, but what your junior can do with existing or somewhat lower metal prices, and be prepared for a surprise on the upside!**

# Exit Strategies

**Liquidity cascading down the food chain through buyouts and mergers of advanced deposits.**

**Liquidity entering the bottom of the food chain as new discoveries rekindle the retail investor's faith in the Cinderella story.**

# Recent Nickel Related Buyouts

- **Rio Narcea** - \$5.50 cash - \$1 billion (sulphide - Spain)
- **Weda Bay** - \$2.70 cash - \$269 million (laterite – New Caledonia)
- **Canico** - \$20.80 cash - \$930 million (laterite - Brazil)
- **Lionore** - \$27.50 cash - \$6.8 billion (sulphide – Botswana, Australia, South Africa)
- **Dynatec** - \$5.12 value - \$1.6 billion (laterite - Madagascar)



# Recent Copper Related Buyouts

- **Regalito** – US \$6.00 cash - \$151 million (Chile)
- **bcMetals** - \$1.70 cash - \$80 million ( BC)
- **Peru Copper** - \$6.60 cash - \$830 million (Peru)
- **Northern Peru Copper** - \$13.75 cash - \$455 million (Peru)
- **Northern Orion** - \$7.25 value - \$1.6 billion (Argentina)
- **Arizona Star** - \$18.00 cash - \$773 million (Chile)
- **Eurozinc** - \$3.66 value - \$2.1 billion (Portugal)
- **Tenke** - \$24.00 value - \$1.5 billion (Congo)

# Other Recent Buyouts

- **Virginia Gold** –\$15.53 value - \$760 million (Quebec)
- **Viceroy** - \$14.00 value - \$833 million (Argentina)
- **St. Jude** - \$1.92 value - \$100 million (Ghana)
- **Western Copper** - \$32.80 value - \$1.7 billion (Mexico)
- **Northern Orionc** - \$7.25 value - \$1.6 billion (Argentina)
- **Wolfdan** - \$3.81 cash - \$363 million (Nunavut)
- **Afriore** - \$8.75 cash - \$500 million (South Africa)
- **Primary Metals** - \$3.65 cash - \$54 million (Portugal)
- **Bema Gold** - \$7.32 value - \$4 billion (Russia, Chile)
- **Energy Metals** - \$13.00 value - \$1 billion (USA)

# **The Fourth Leg**

## **Collapsing the Wall of Doubt**

- **\$28 billion raised for TSXV since 2003, \$9.8 billion in 2007**
- **Discovery Plays in the Context of a Long Term Outlook for Elevated Base Metal Prices**
- **Gold's time is finally here - \$1,000 is the crossover, \$2,400 the target**
- **New world class discoveries validating Cinderella as more than a fairy tale of a time long gone**



Issued: 134,019,000

High: \$43.00 on 11/1/2006

Max Volume: 6,122,100 on 10/4/2007

Diluted: 147,554,000

Low: \$0.40 on 5/25/2005

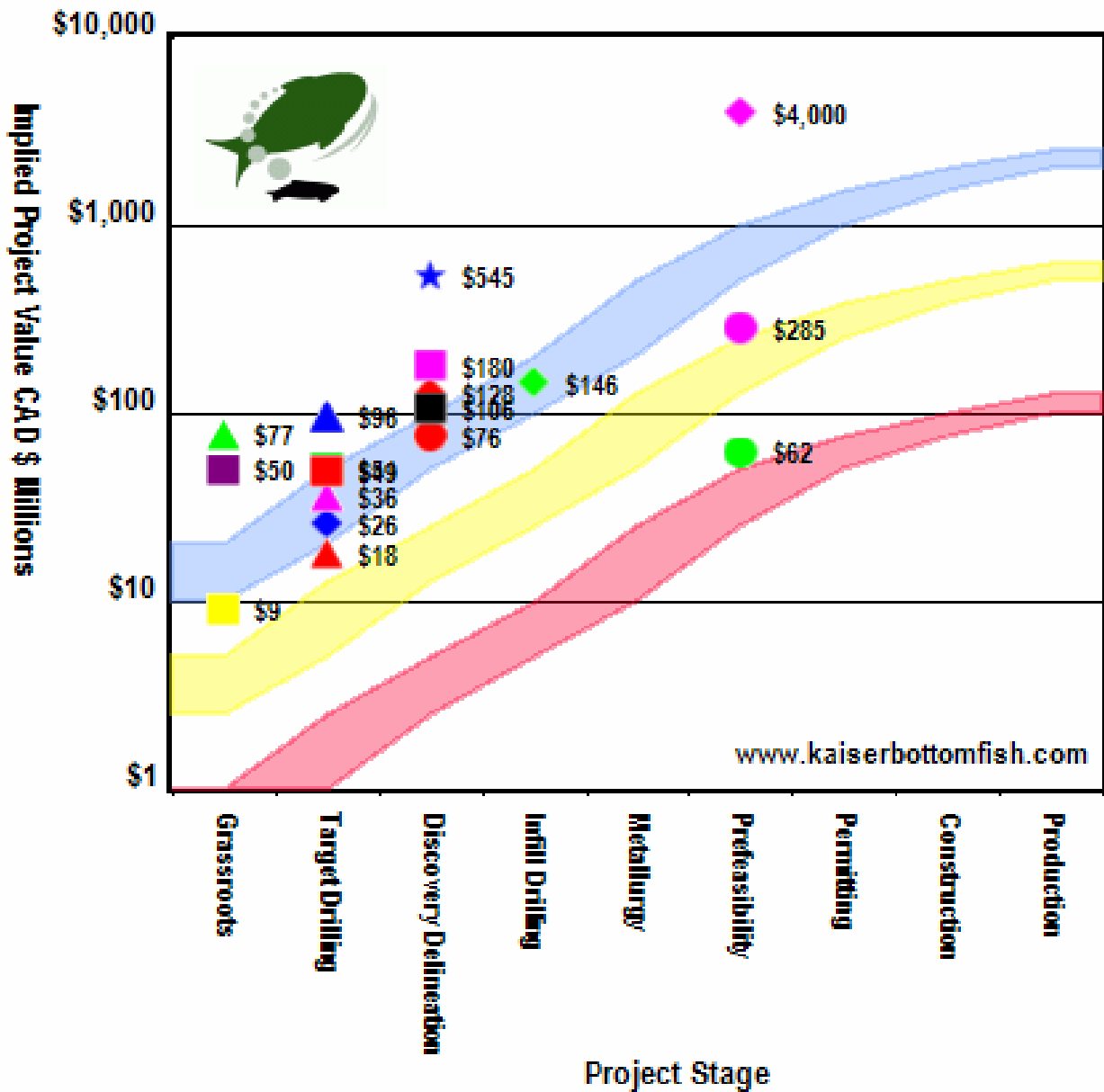
Max Value: \$170,825,815 on 5/25/2007





# McFauld's Lake Area Play Valuations

Thursday, February 07, 2008



### Dream Target Channels

- \$100 million Dream Target
- \$500 million Dream Target
- \$2 billion Dream Target

### Key Area Play Projects

- Noront - Double Eagle
- Fancamp - McFauld's Lake
- UC - McFauld's Lake
- Spider - McFauld's Lake UC JV
- KWG - McFauld's Lake UC JV
- Freewest - McFauld's Lake
- Canstar - McFauld's Lake #1
- MacDonald - McNugget
- Probe Mines - McFauld's Lake West
- Temex - MacDonald/Temex JV
- Northern Shield - Highbank 100%

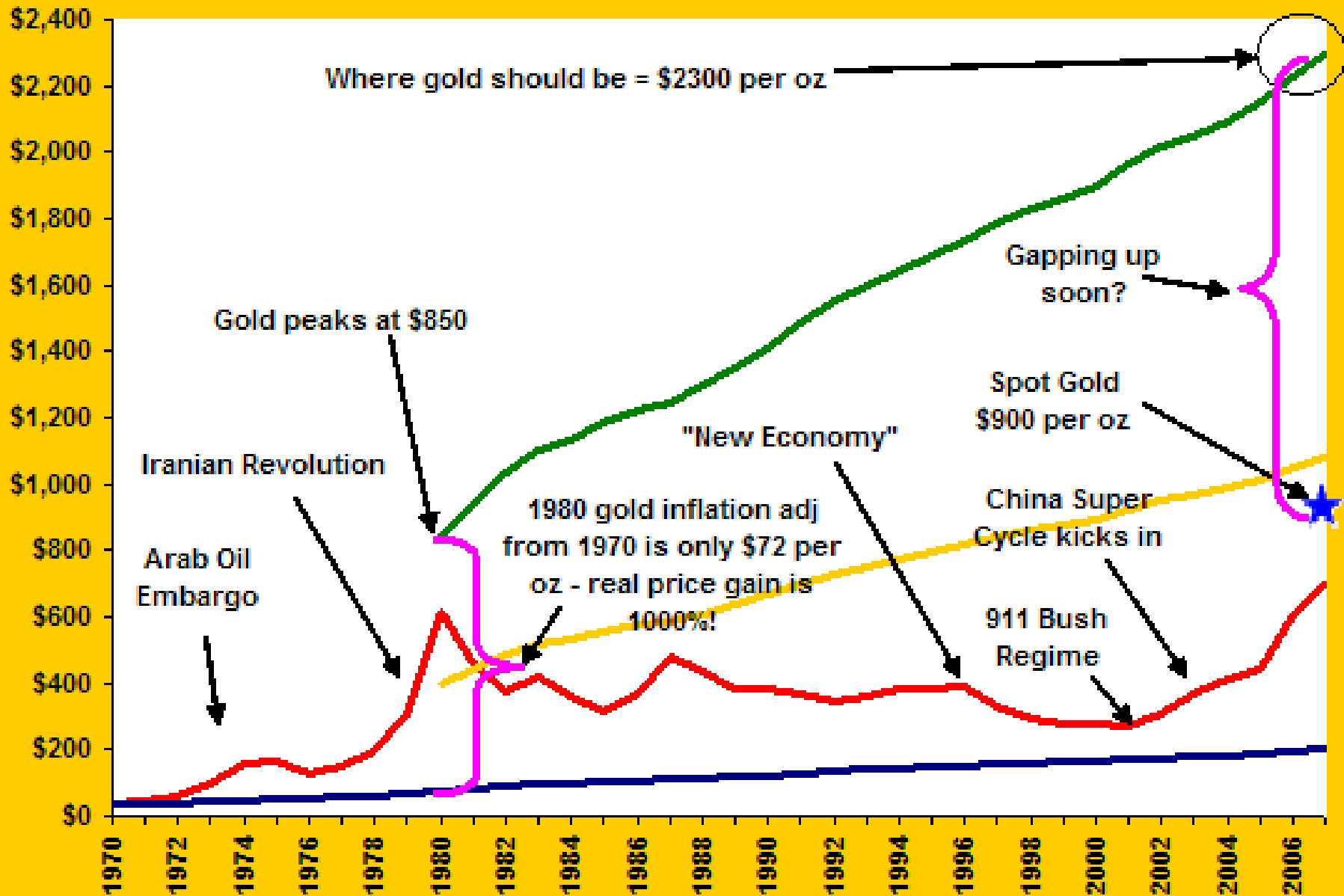
### Comparable Projects

- Golden Chalice - Langmuir
- Victory Nickel - Lac Rocher
- Cdn Royalties - South Raglan
- Celtic - Kinguruik
- Liberty - Redstone
- Inspiration - Langmuir
- Diamondfields - Voisey's Bay

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# Gold in Perspective

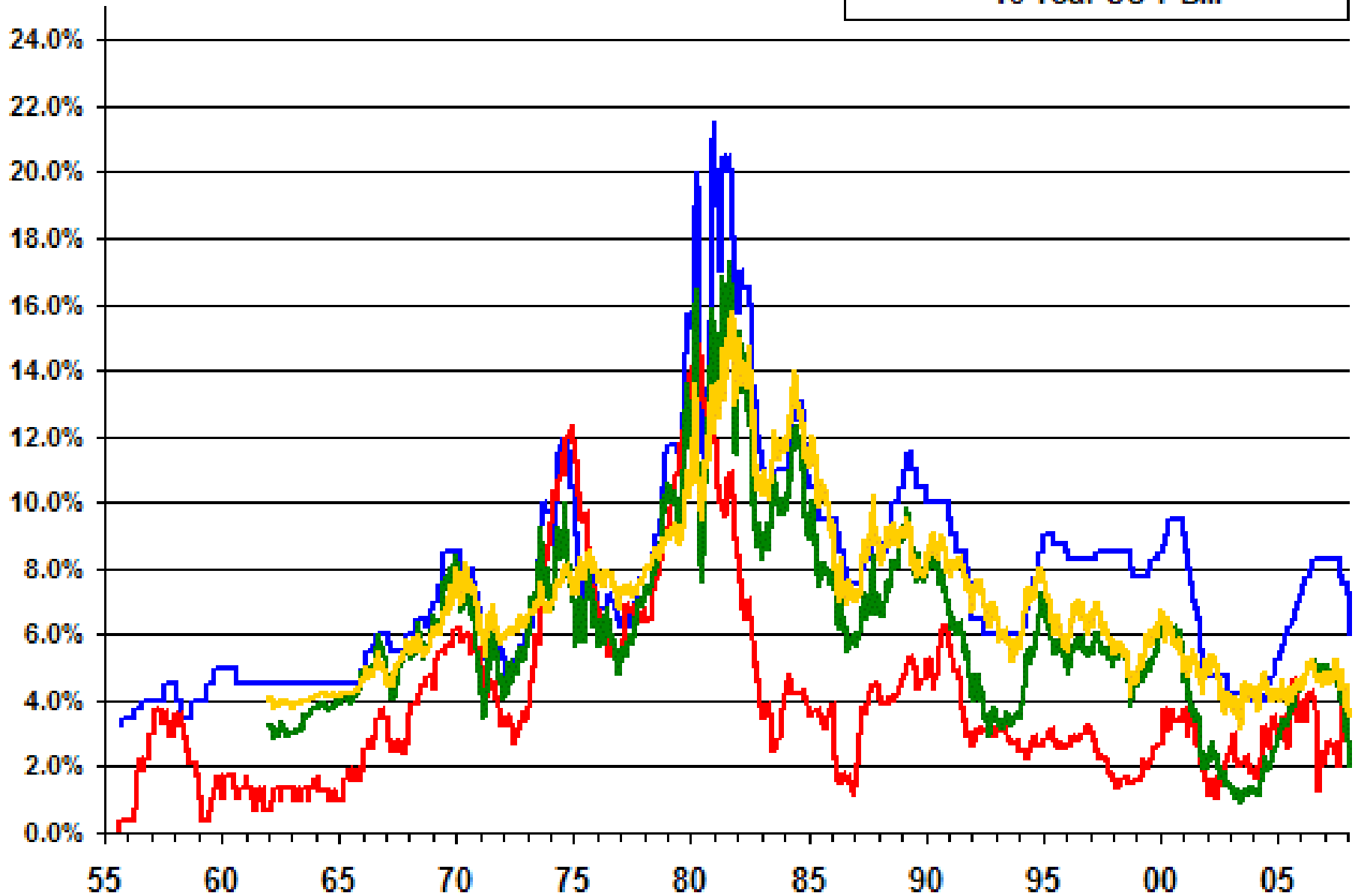
- Actual Average Annual Gold Price
- 1970 Base \$36 per oz inflation adjusted
- 1980 Base \$850 per oz inflation adjusted
- 1980 Base \$400 per oz inflation adjusted





# Key Rates

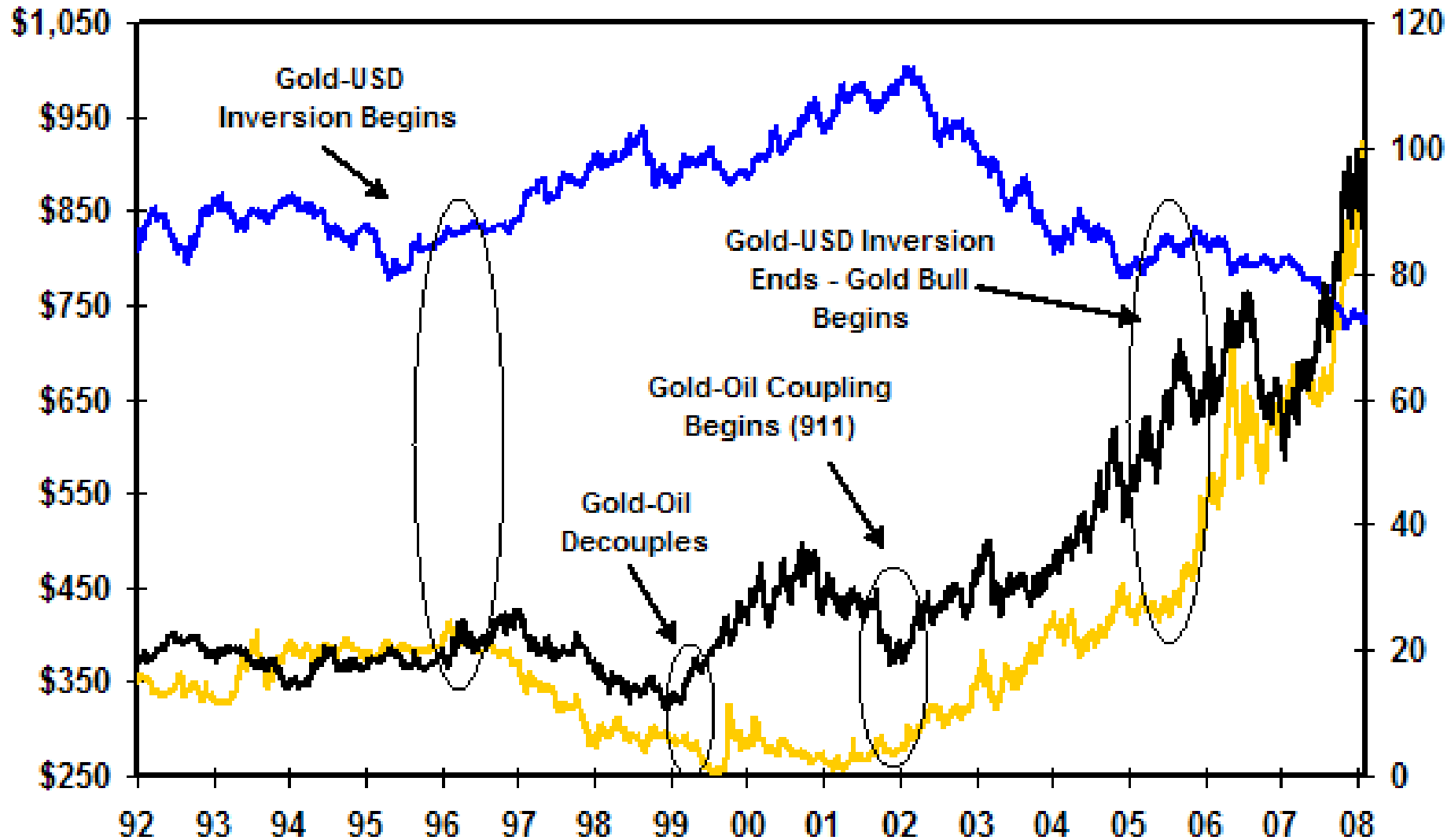
- US Prime Rate
- US CPI Inflation Rate
- 1 Year US T-Bill
- 10 Year US T-Bill





## Gold vs US\$ Index vs Oil

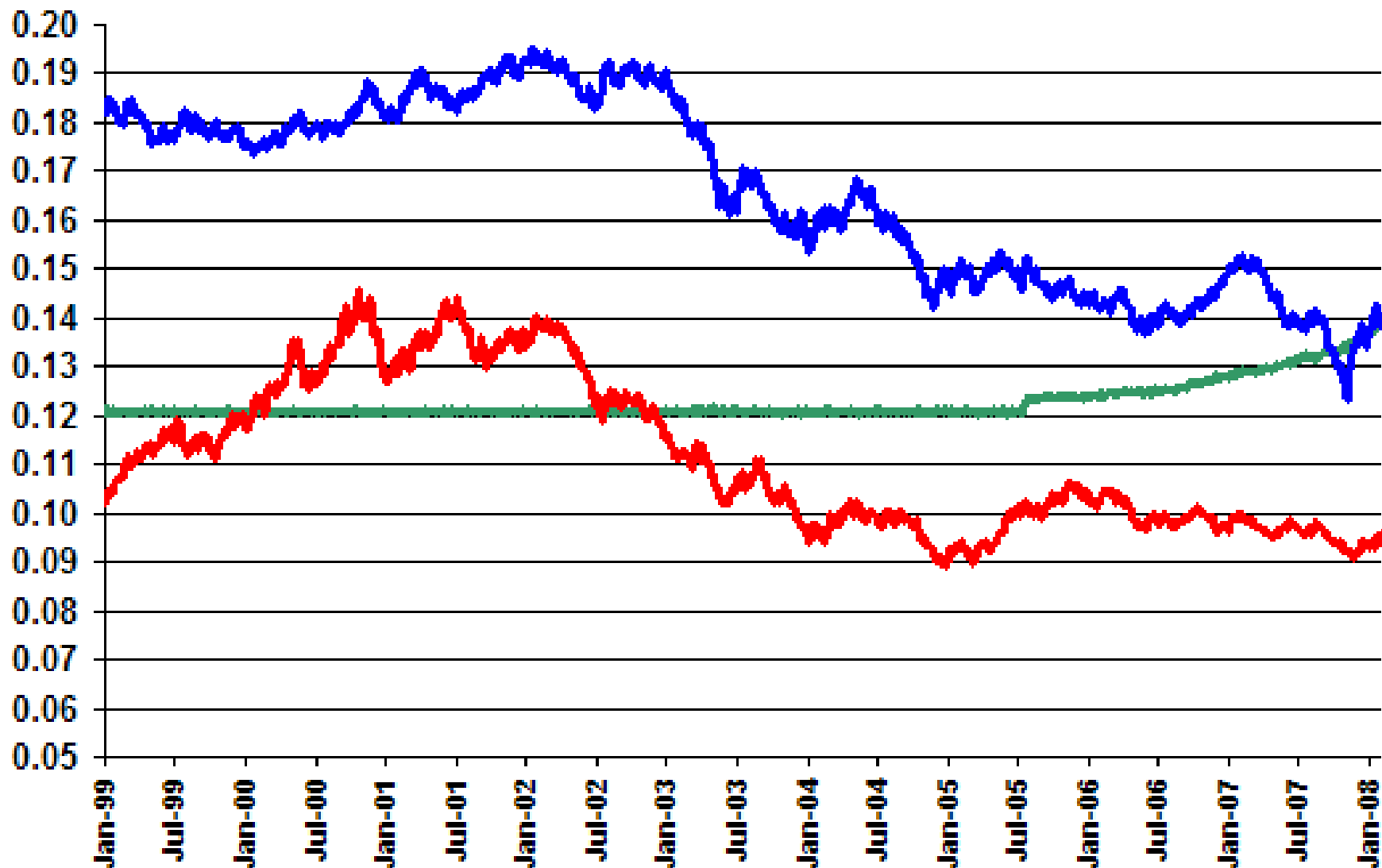
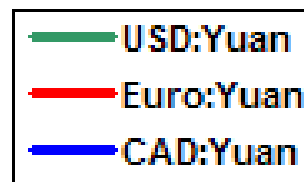
- Gold
- US\$ Major Currency Index
- WTI Crude Oil US\$

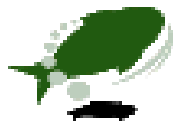


# Currency Exchange Rates

Per Chinese Yuan

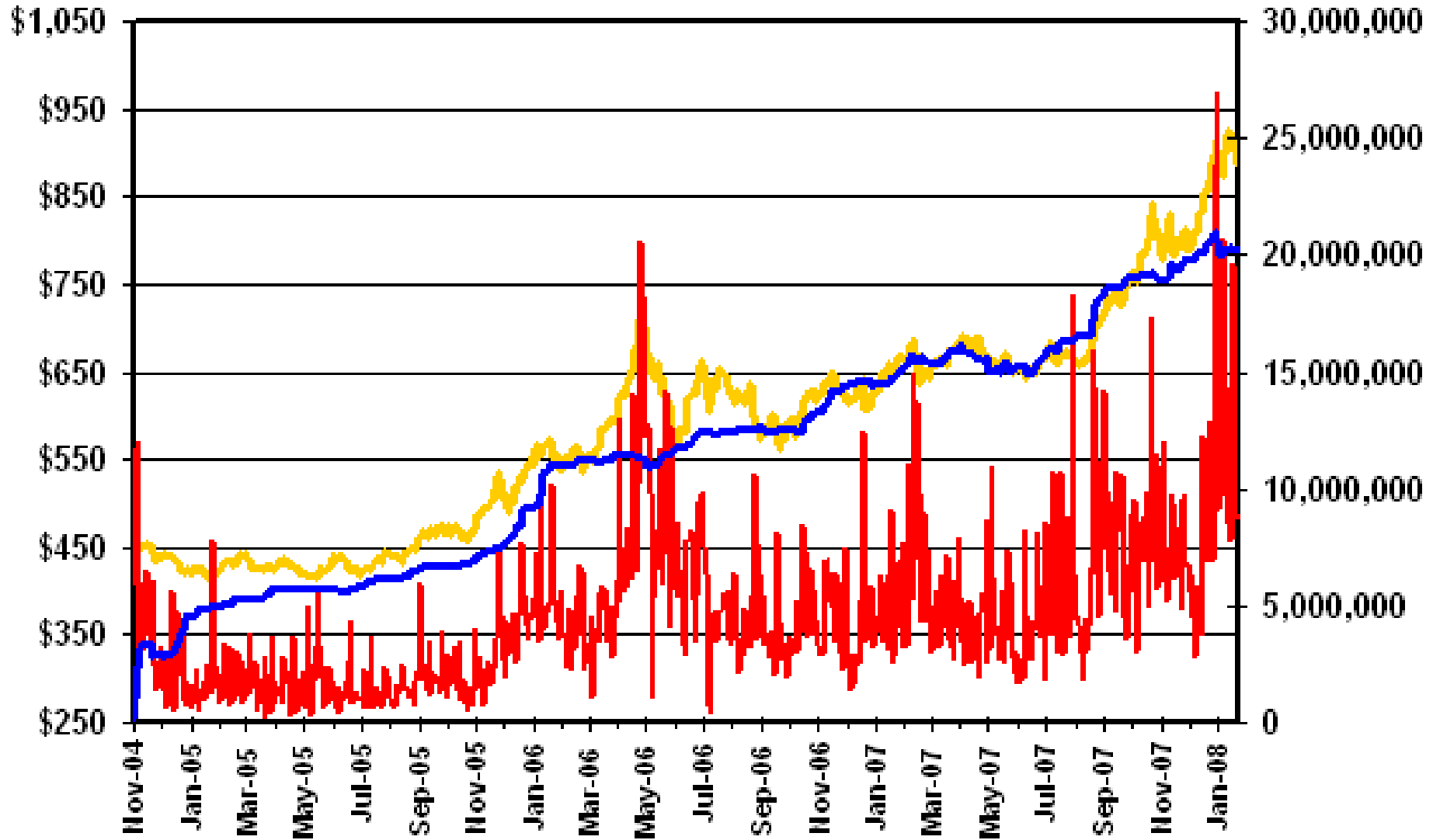
(Downtrend = weakening Yuan)





# StreetTracks Gold Trust GLD - NYSE

(1 GLD share = ~ 1/10th oz allocated gold)





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# Scaling the Wall of Worry

- The race to production
- Metal prices have yet to peak
- A global prosperity driven bull market in gold
- A revival of discovery fueled speculation
- A Great Canadian Area Play?
- The Renewal of Aging Infrastructure
- Opportunities in the drive to Footprint Reduction
- The Pushback against Globalization
- The best is yet to come!



**Thank You**

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