

AEMQ 2013 Congress Convention

Quebec City, Canada

November 12, 2013

Presented by John Kaiser

**Survival Strategies for a Resource
Sector Bear Market**

www.KaiserResearch.com

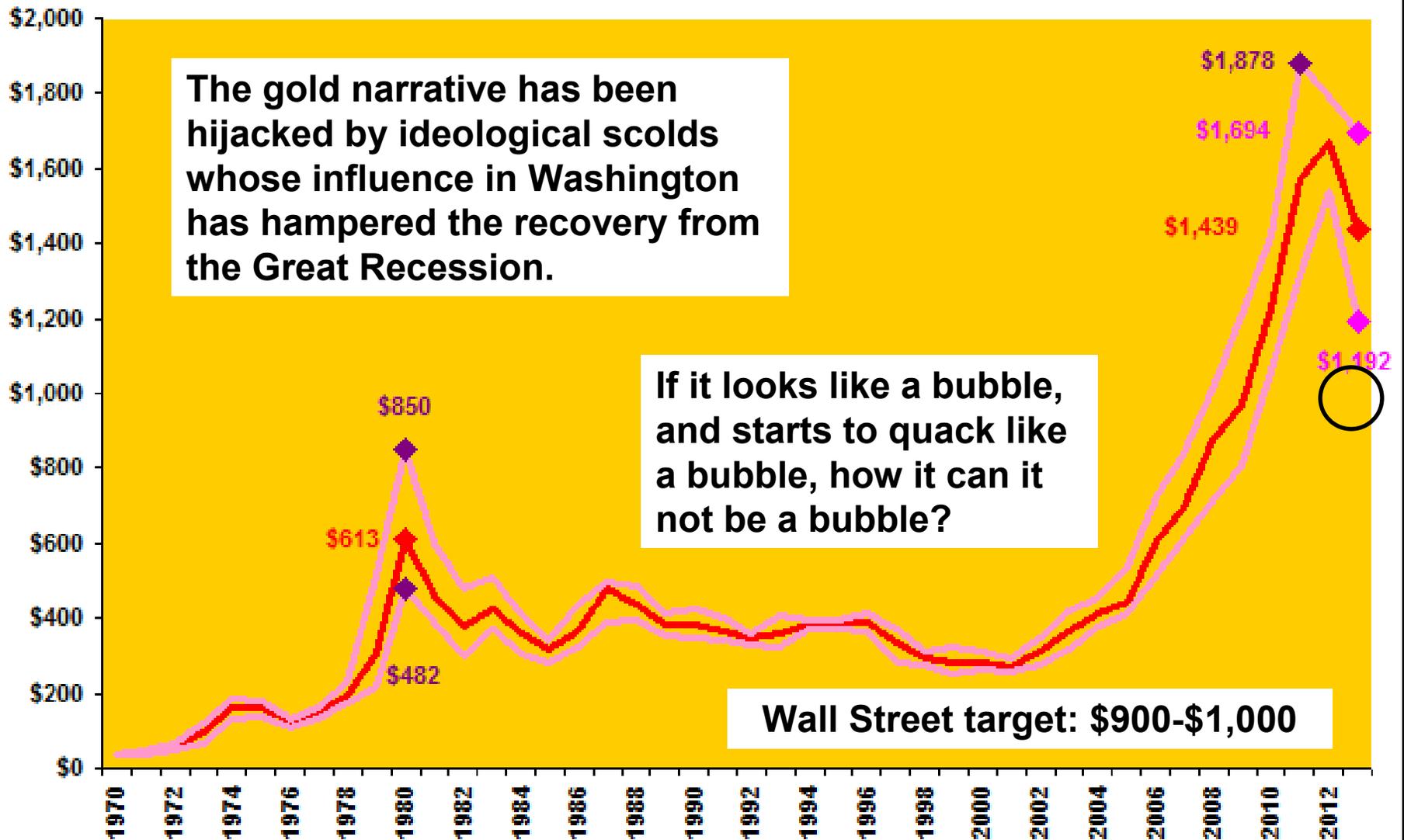
Overview

- **What is the nature of the current bear market?**
- **How stressed is the junior sector and what are its non-cyclical structural challenges?**
- **What story types can a junior offer investors that promise not just survival but success?**

Annual Average Gold Price with High-Low Range

— Average Gold Price

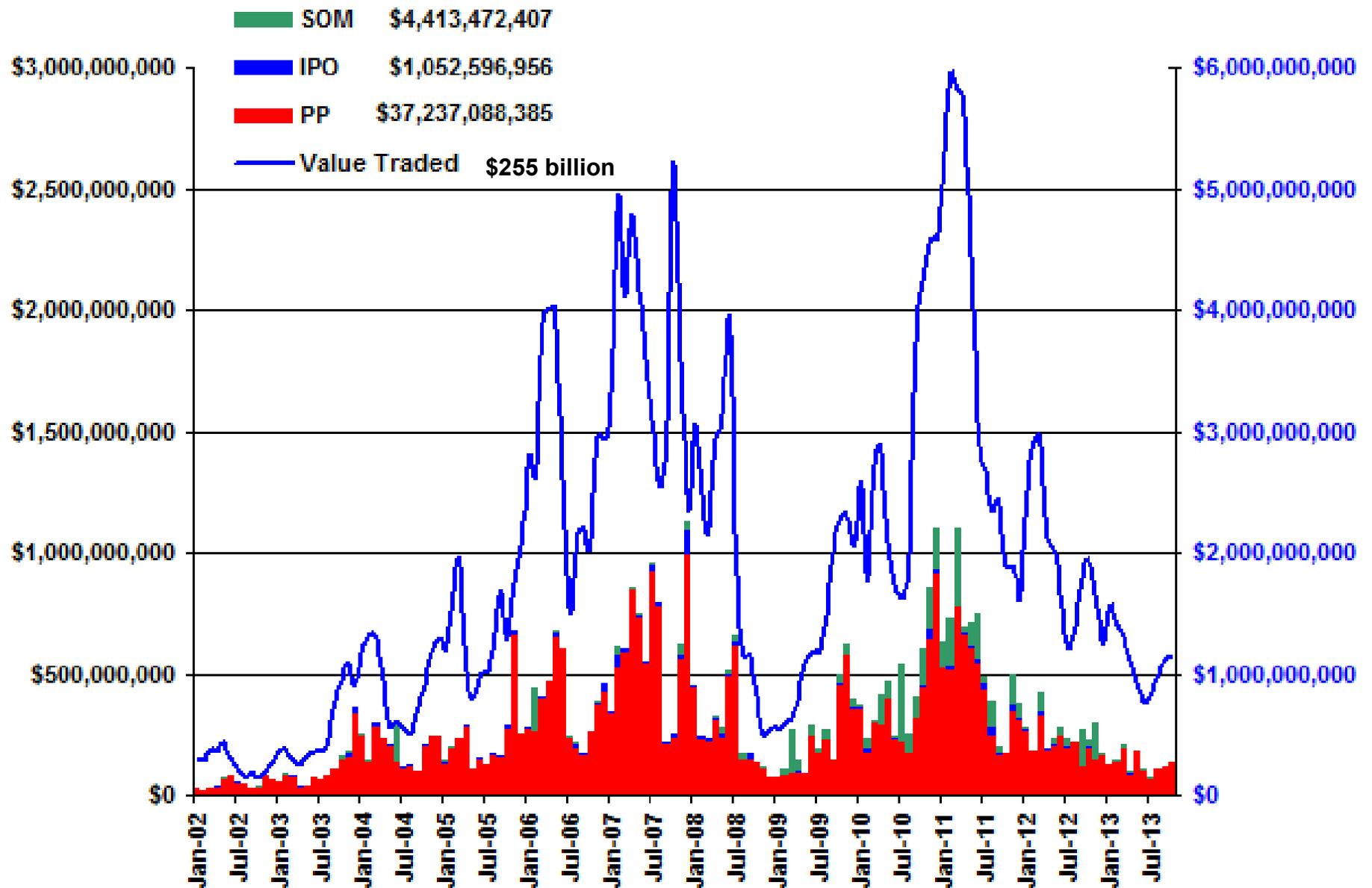
— Yearly Hi-Lo Range



November 2013

Kaiser Research Online

Monthly Value of Resource Sector TSXV Financings 2002-2013



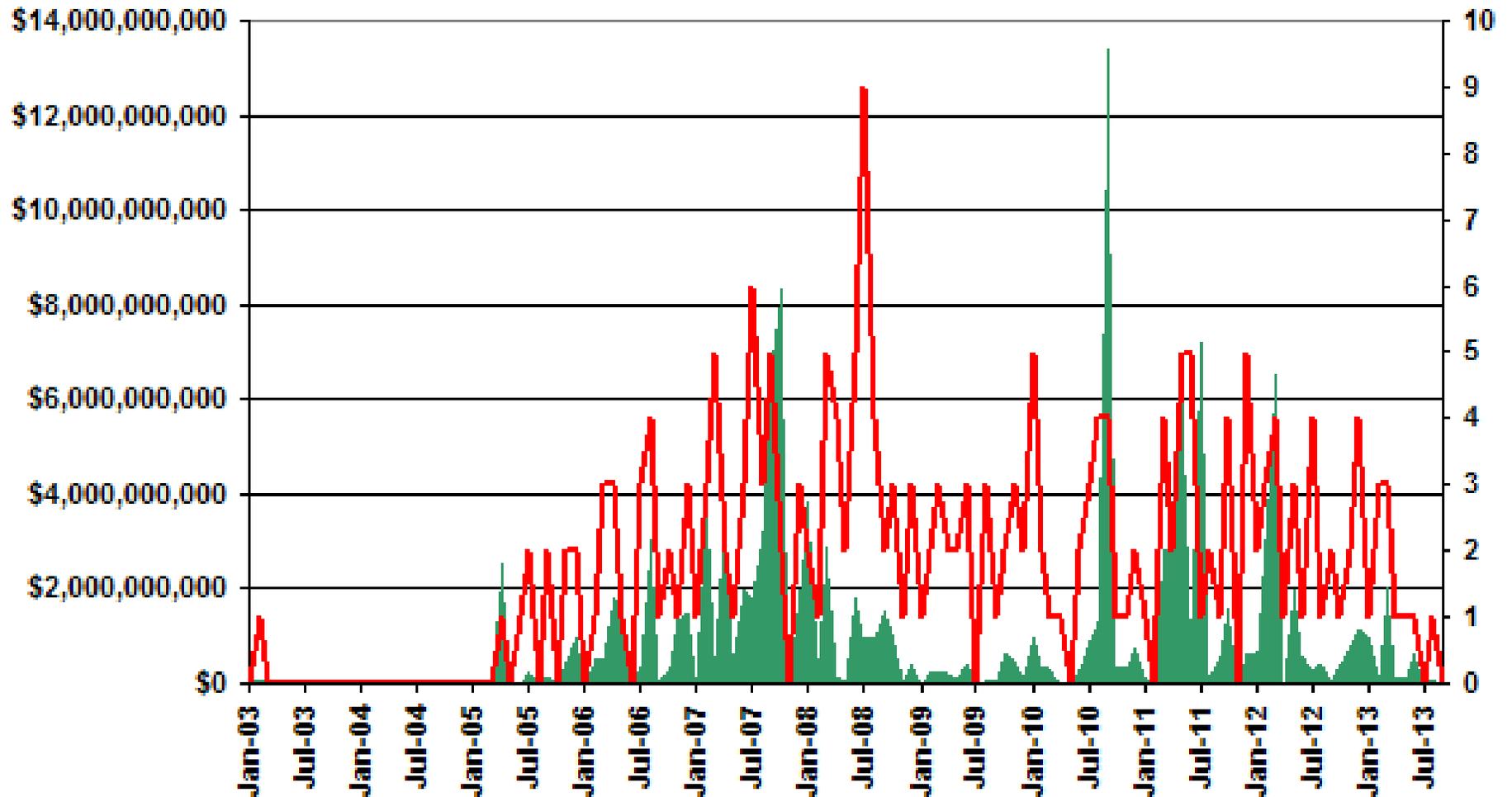
Monthly Value TSX/TSXV Resource Junior Takeover Bids

Total \$128,805,261,390

Value

Total #: 227

Number



Mine Exploration & Development Cycle

Stage	Exploration Cycle Stage	Objective	Time Required
1	Grassroots	Conceptual, land acquisition	1 year
2	Target Generation & Drilling	Filtering for drill targets	1-2 years
3	Discovery Delineation	Defining the limits of a discovery & producing initial 43-101 resource estimate	1-2 years
4	Infill Drilling	Upgrading resource estimate from inferred category	1-2 years
5	Preliminary Economic Assessment (PEA) & Metallurgy	Evaluating recoveries and optimal processing method, initial economic analysis with 30%-35% error margin	1 year
6	Prefeasibility (PFS)	Produce a mineable reserve, detailed engineering for mining plan and associated costs, 15-20% error margin	1-2 years
7	Permitting, Marketing & Feasibility (FS)	Securing approval, negotiate offtake, production decision, 8-12% error margin	1-3 years
8	Construction	Building the mine	1-3 years
9	Production	Mining cash flow	10-40 years

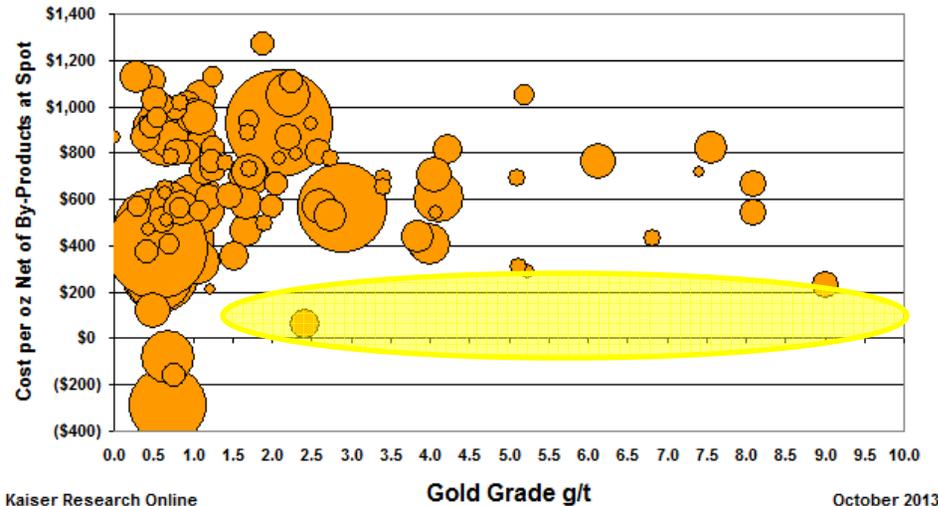
Gold \$/oz (London PM Fix)



All-In Cost vs Grade for Undeveloped Gold Deposits

105 deposits for which PEA, PFS or BFS has been done since 2007 (min 100,000 oz/y)

Additional Potential LOM Production	13,042	tonnes Au
Additional Potential Annual Production	840	tonnes Au
(Bubble sizes 100,000 to 1,000,000 oz per year)	81%	cost < \$900/oz



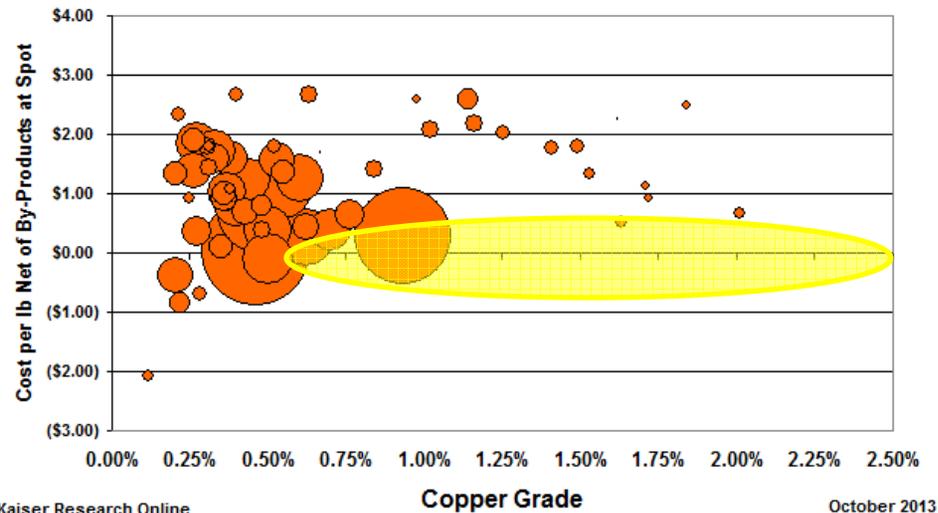
LME Copper \$/lb



All-In Cost vs Grade for Undeveloped Copper Deposits

68 deposits for which PEA, PFS or BFS has been done since 2007

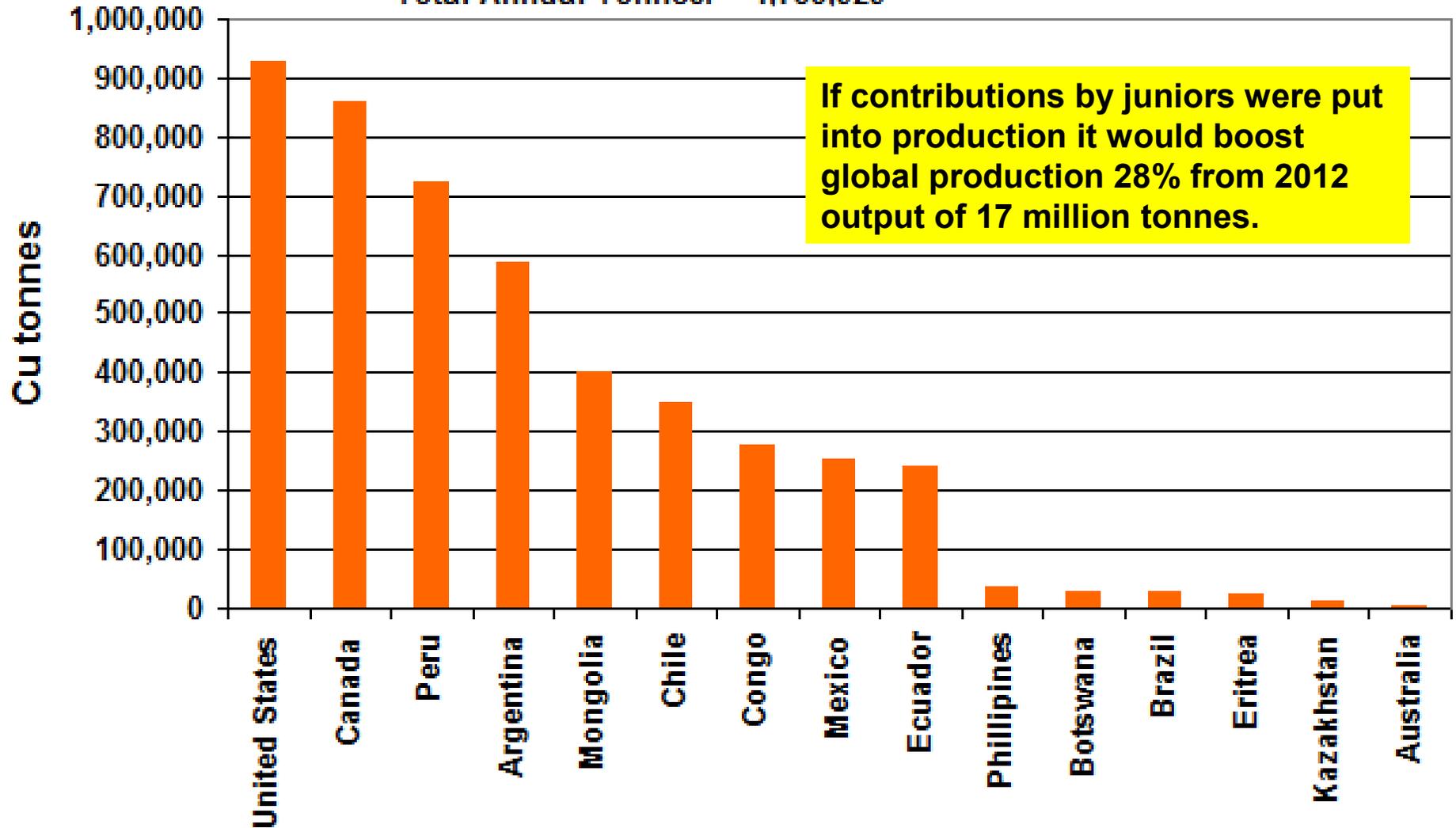
Additional Potential LOM Production	102,781,276	tonnes Cu
Additional Potential Annual Production	4,886,734	tonnes Cu
(Bubble sizes range 10 M lbs to 1.9 B lbs per year)	80%	cost < \$1.50/lb



Potential Primary Annual Copper Production

71 deposits for which PEA, PFS or BFS has been done since 2007

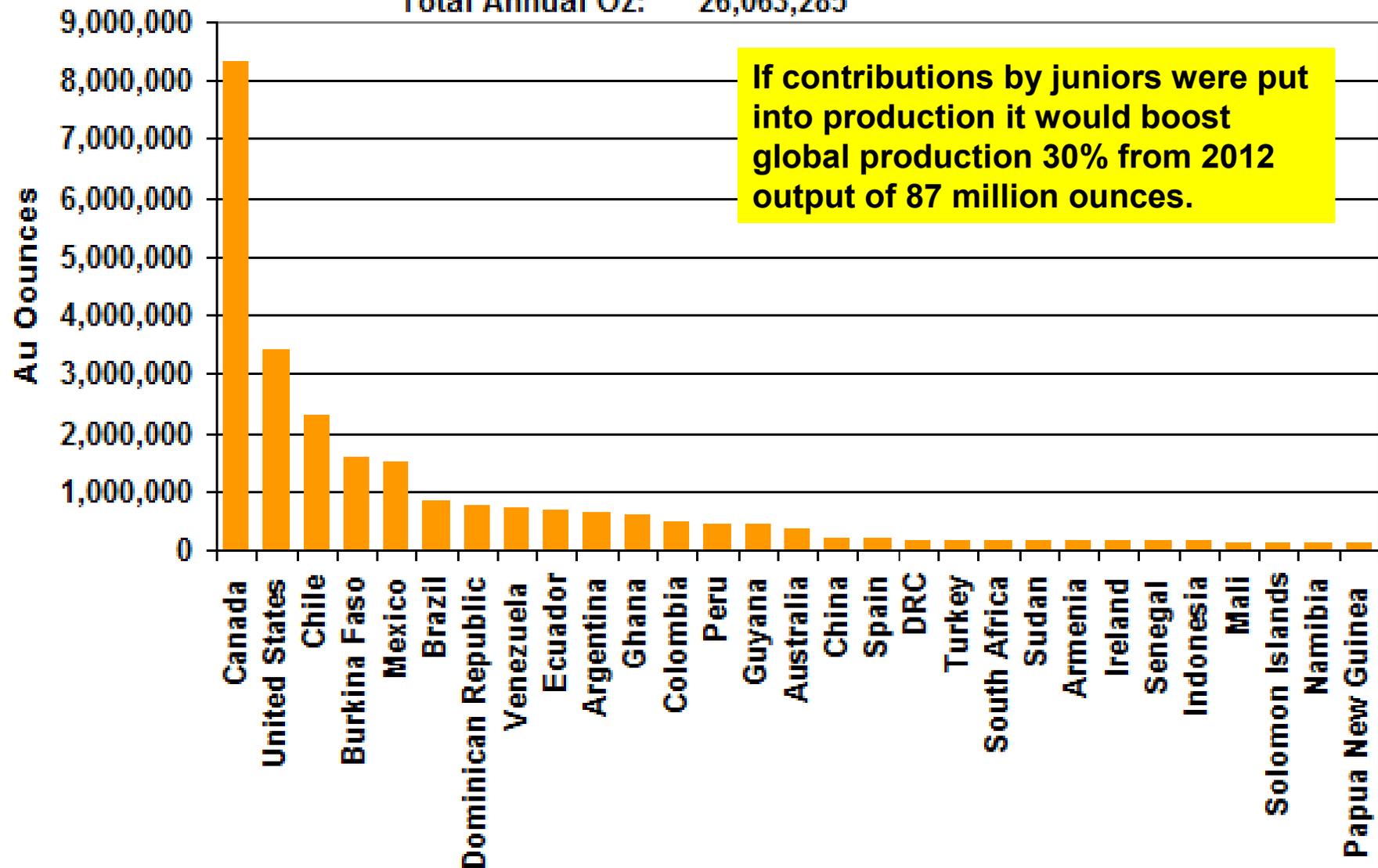
Total Annual Tonnes: 4,758,929



Potential Primary Annual Gold Production

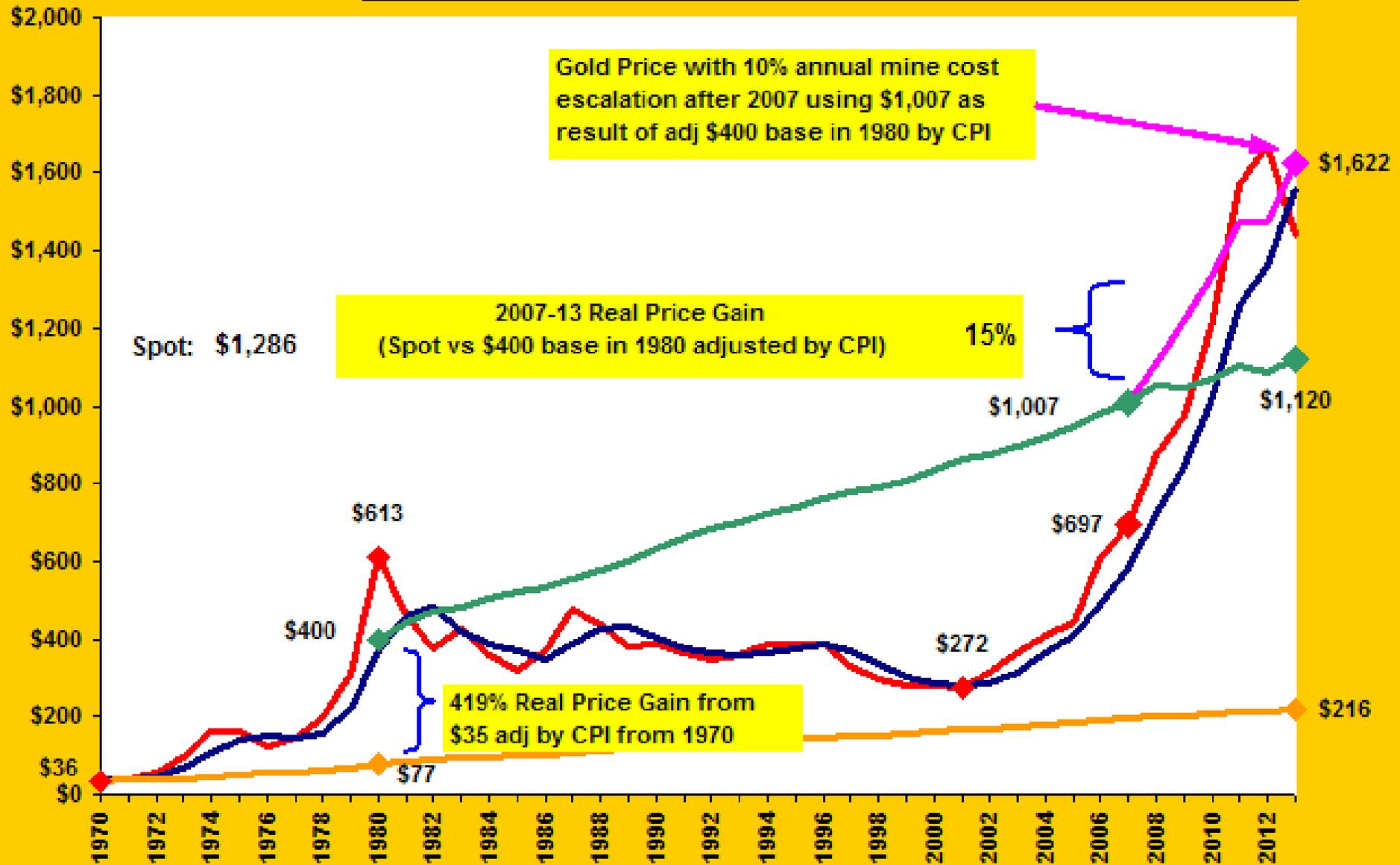
107 deposits for which PEA, PFS or BFS has been done since 2007 (min 100,000 oz/y)

Total Annual Oz: 26,063,285

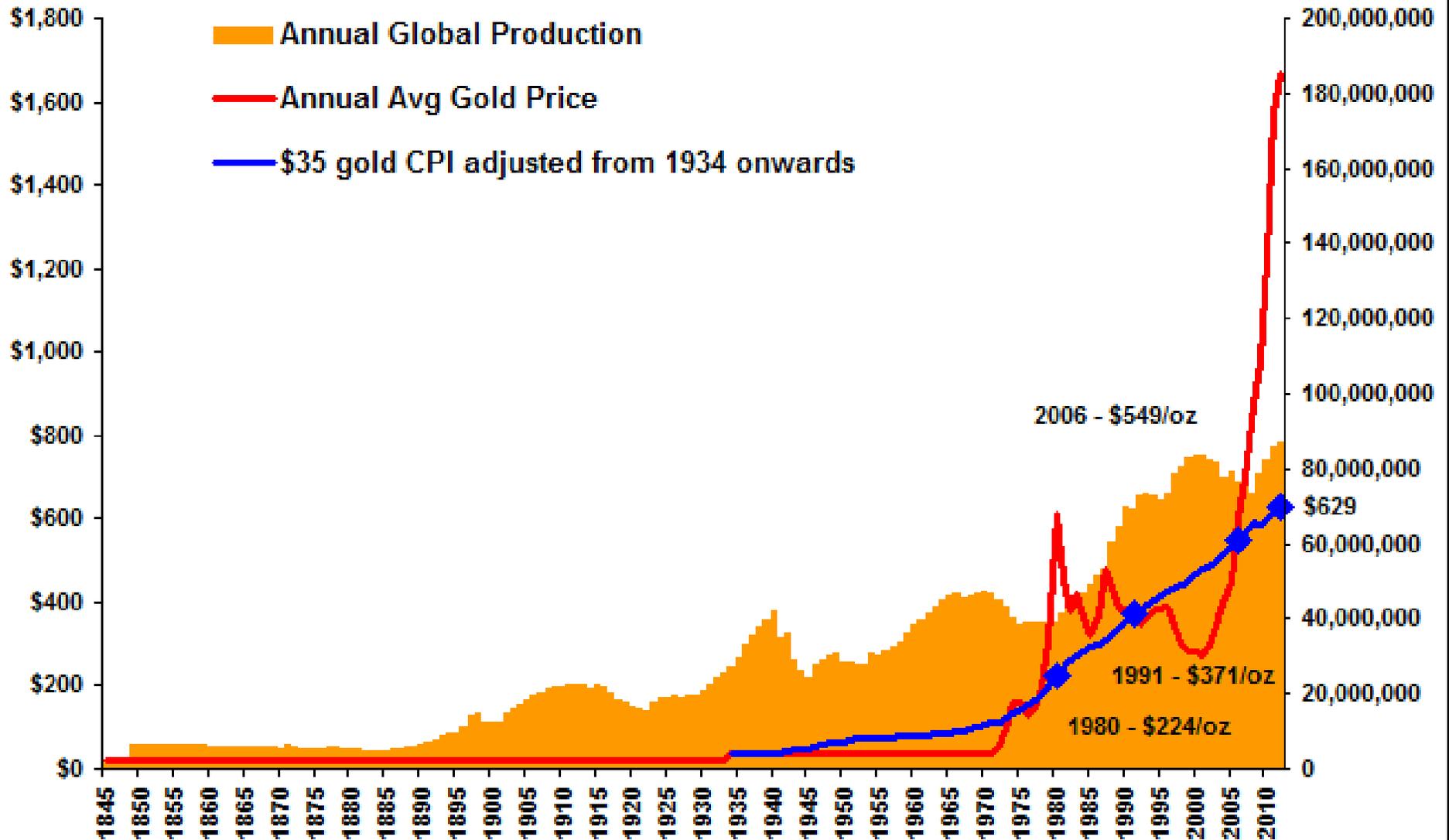


Gold

- Average Annual Gold Price \$/oz
- 3 year average - includes current year
- Gold CPI adjusted with 10% mine cost escalation 2007-2012
- Gold Price US CPI inflation adjusted from 1980 base of \$400 per oz
- Gold Price US CPI inflation adjusted from 1970 base of \$36 per oz



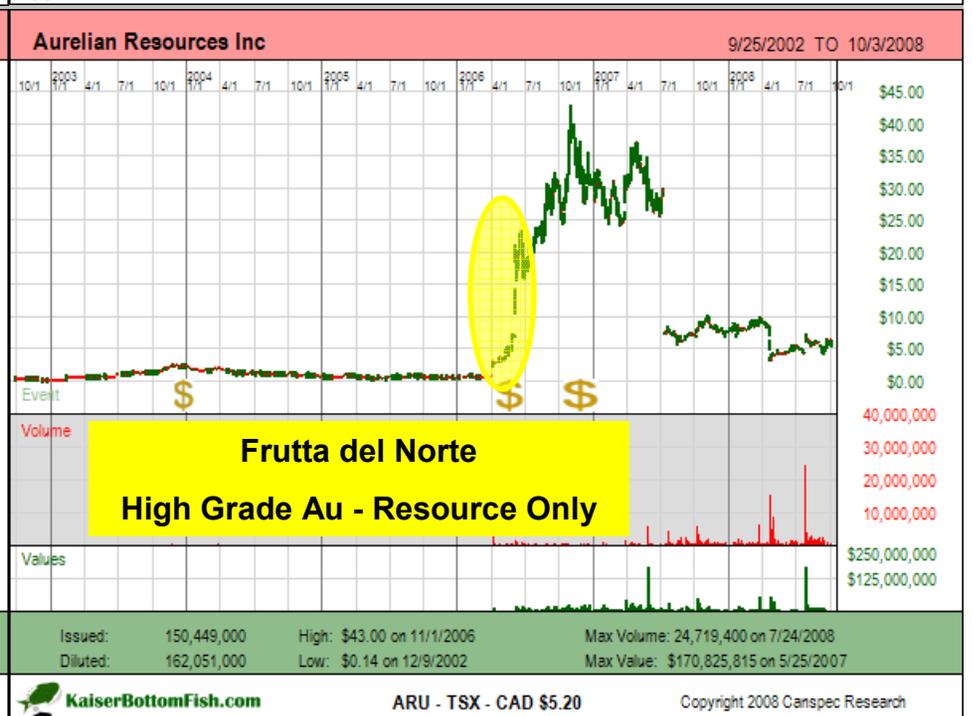
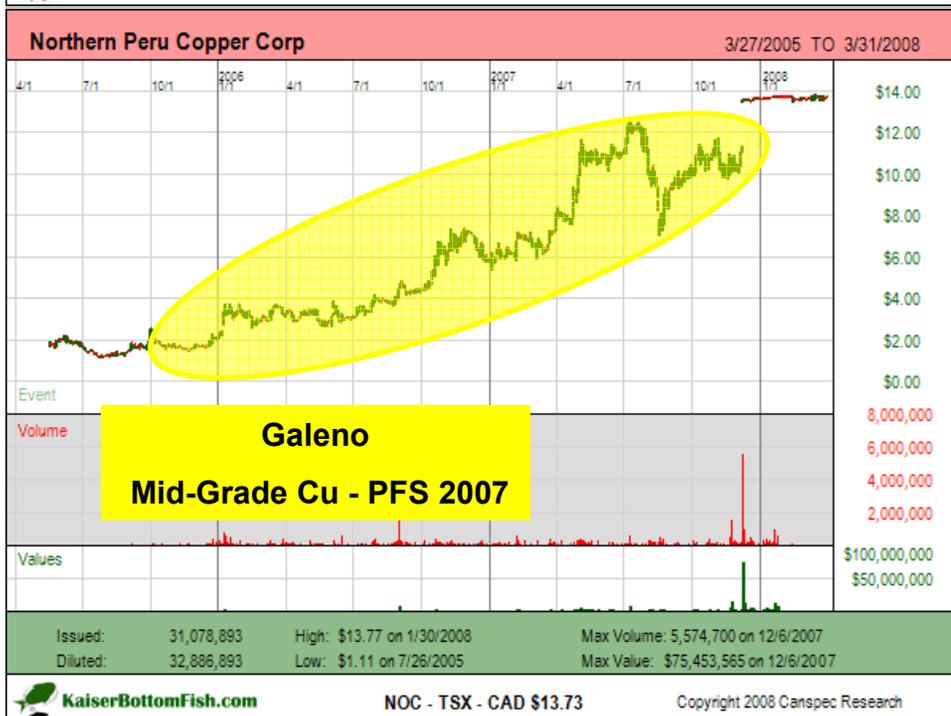
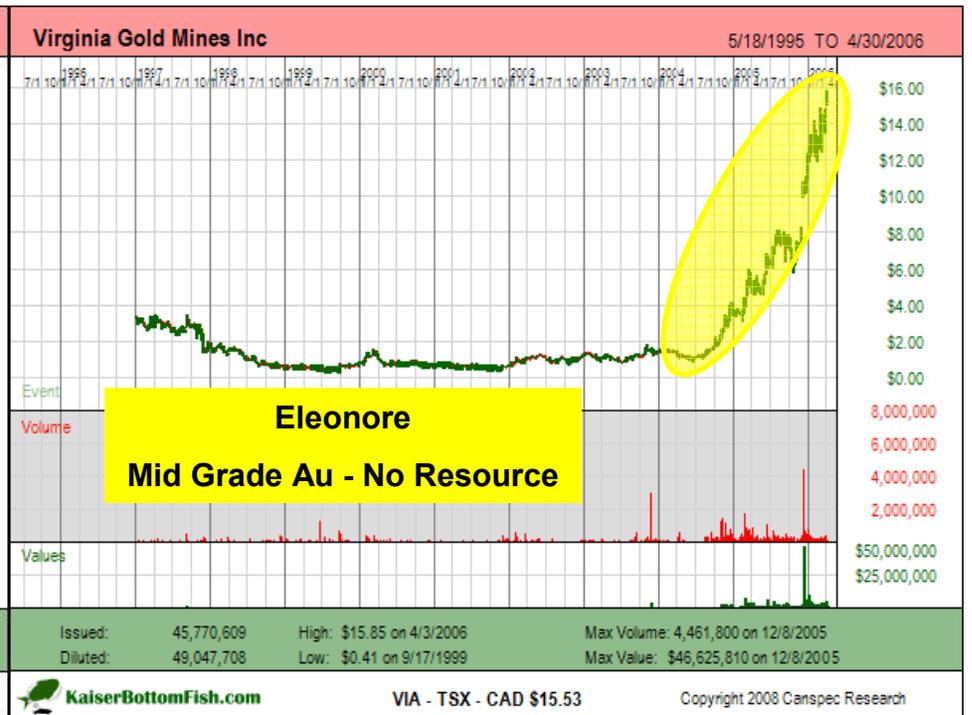
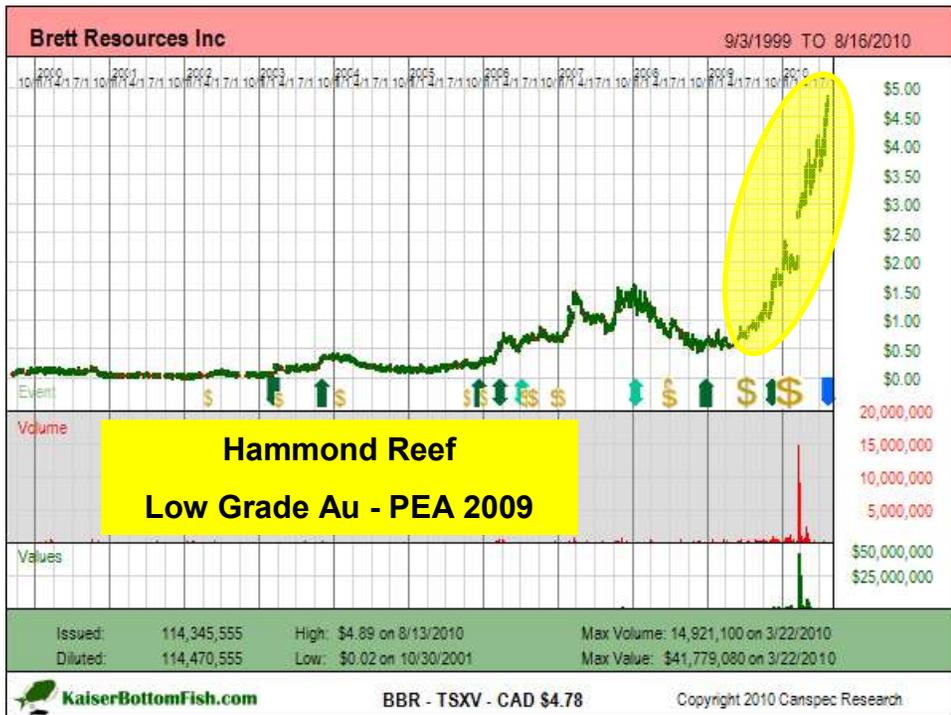
Trends in Global Gold Production 1845-2012



Source: CPM, WGC

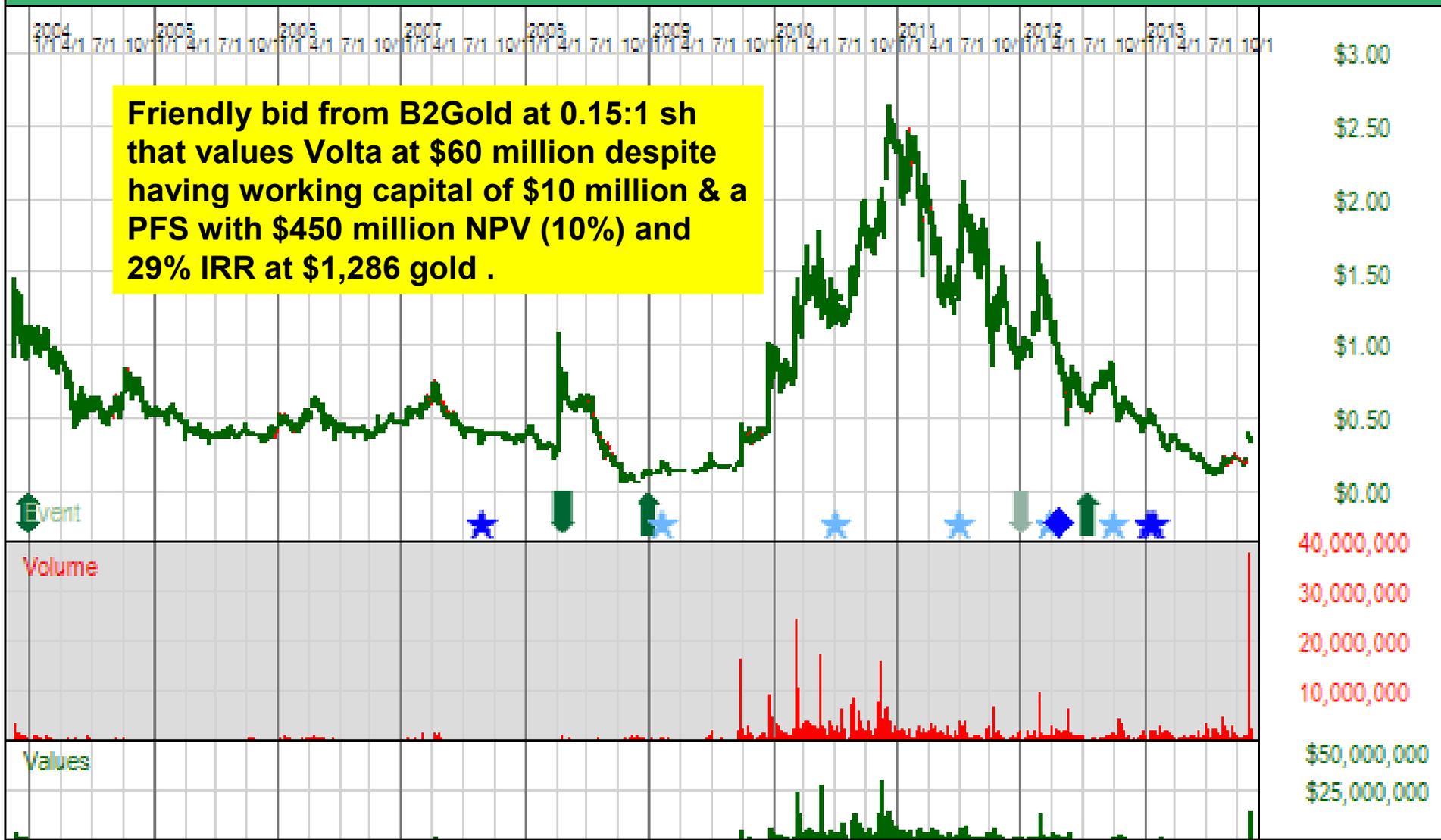
November 2013

Kaiser Research Online



Volta Resources Inc

11/11/2003 TO 11/8/2013



Issued: 155,370,363

High: \$2.65 on 12/3/2010

Max Volume: 37,894,200 on 11/1/2013

Diluted: 166,650,363

Low: \$0.05 on 11/21/2008

Max Value: \$30,773,593 on 11/5/2010



KaiserResearch.com

VTR - TSX - CAD \$0.36

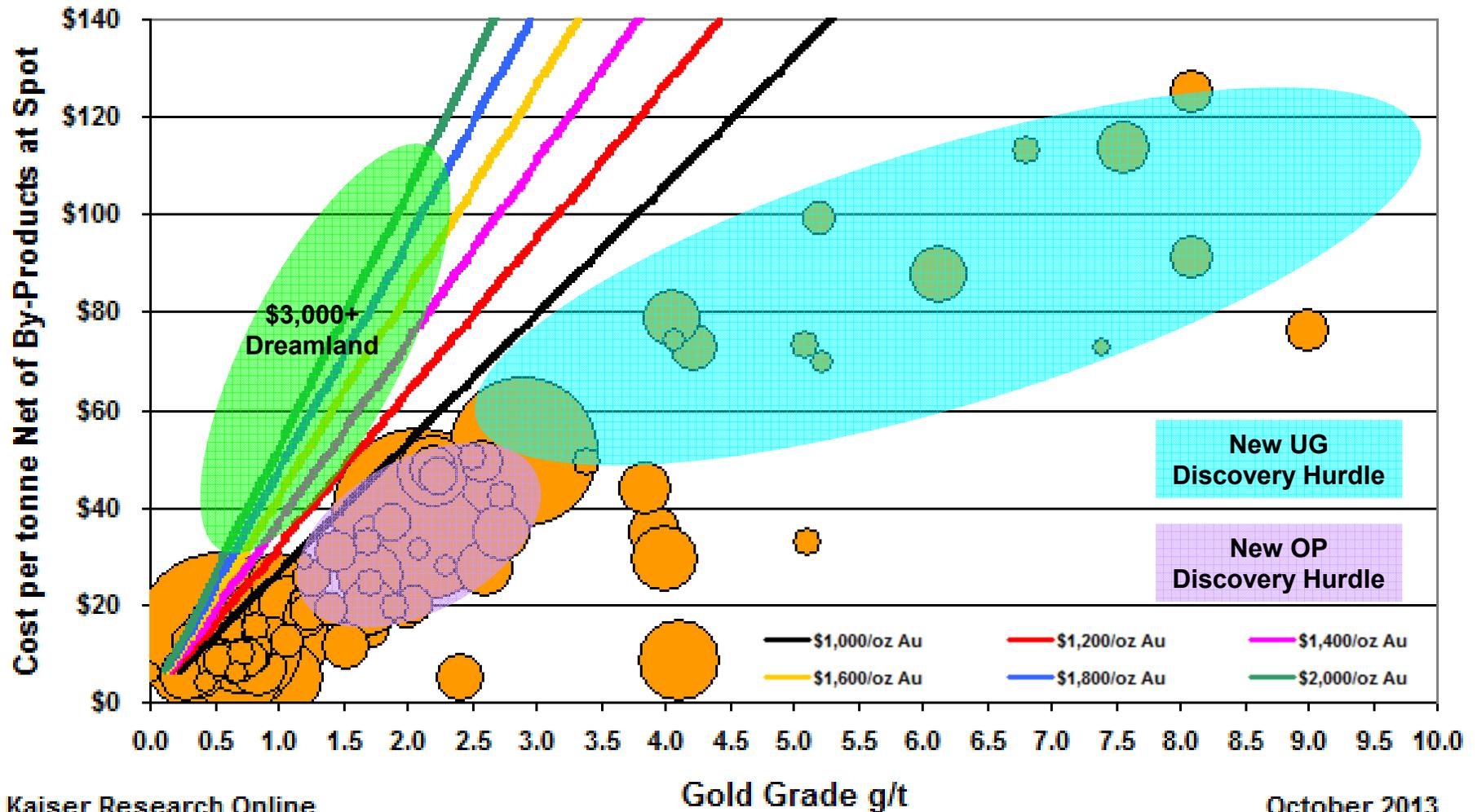
Copyright 2013 Kaiser Research

All-In Cost vs Grade for Undeveloped Gold Deposits

105 deposits for which PEA, PFS or BFS has been done since 2007 (min 100,000 oz/y)

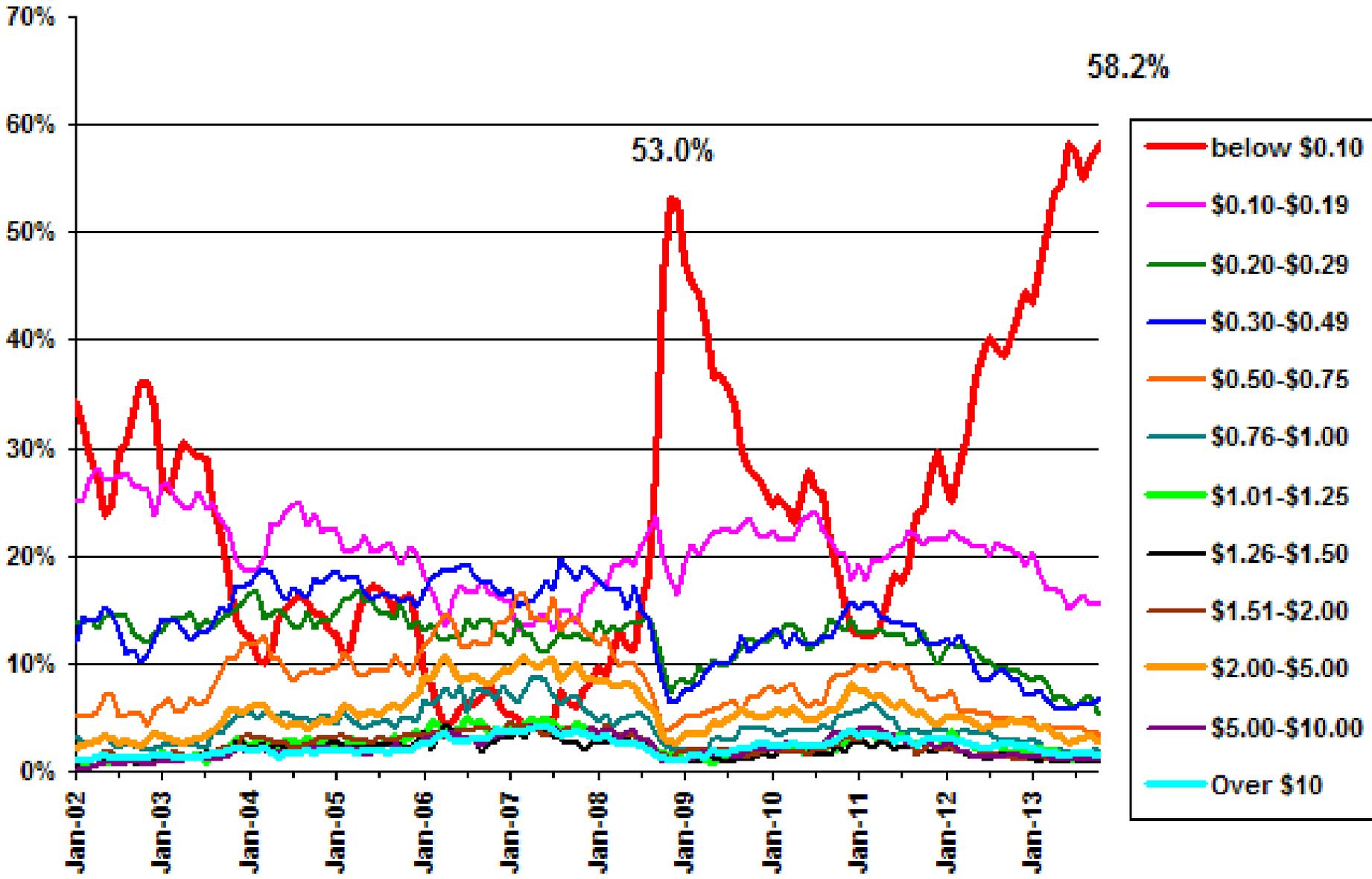
Additional Potential LOM Production
 Additional Potential Annual Production
 (Bubble sizes 100,000 to 1,000,000 oz per year)

13,042 tonnes Au
 840 tonnes Au
 81% cost < \$900/oz



KRO Price Range Distribution

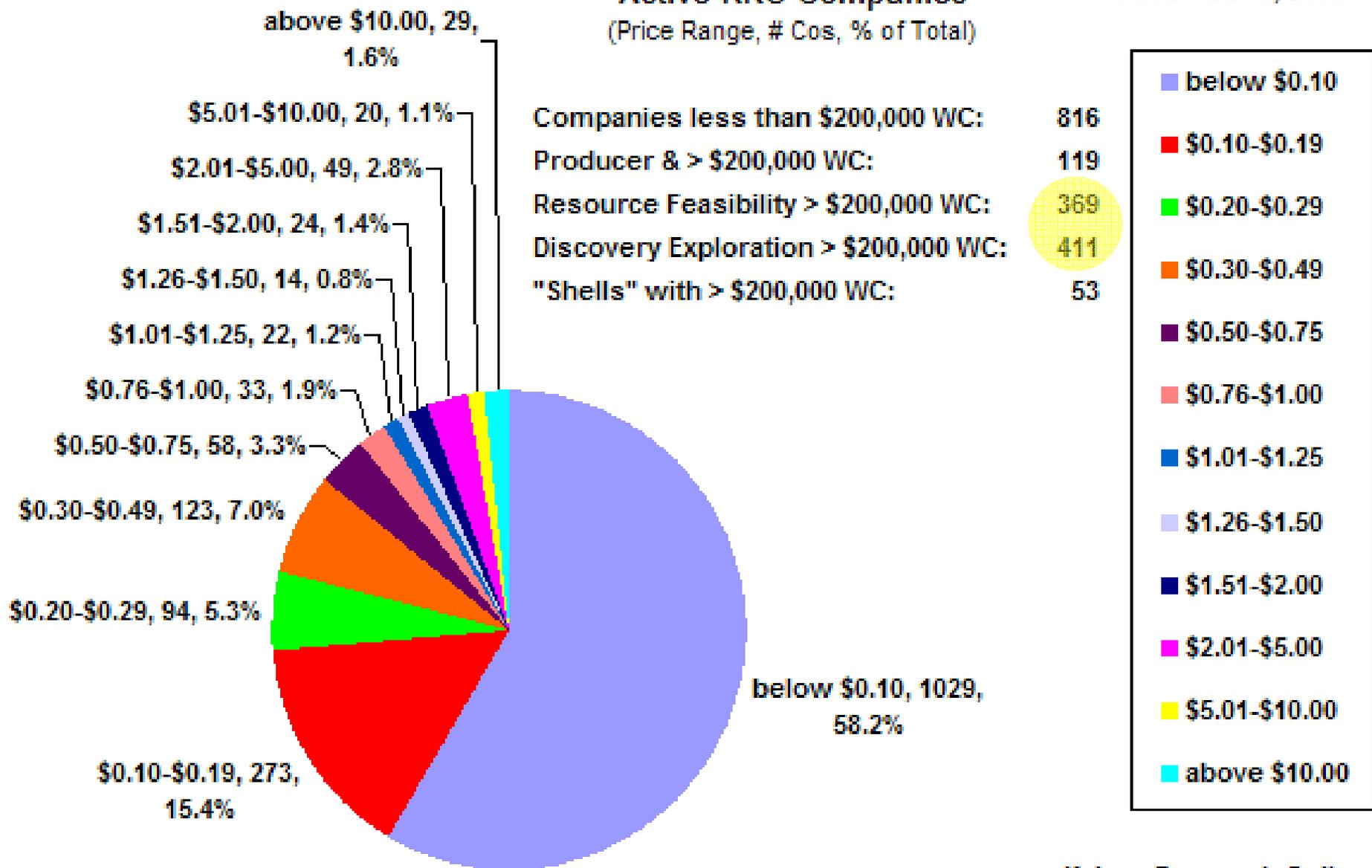
1,768 Companies as of 11/6/2013



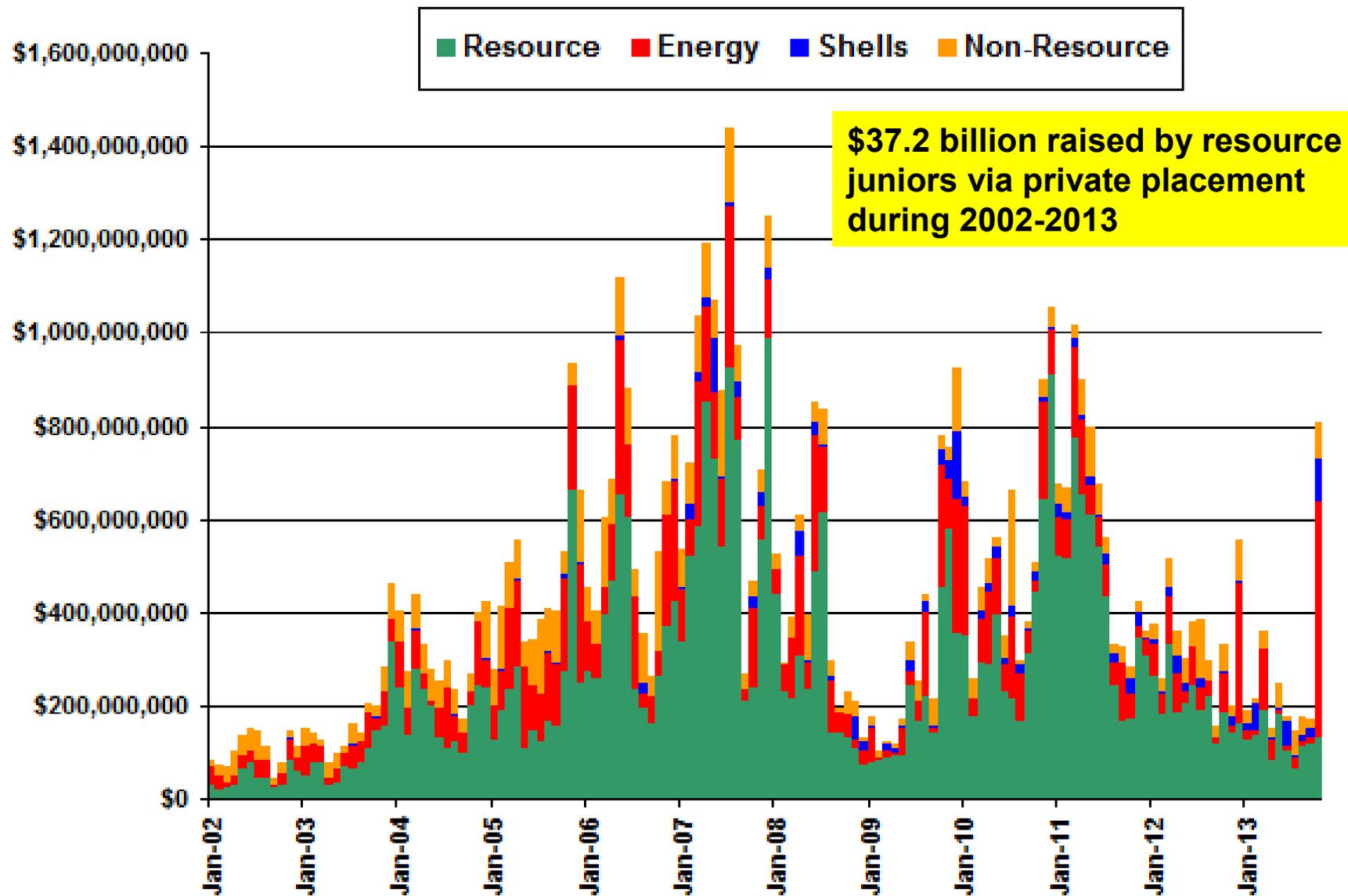
1,768 Price Range Breakdown

Active KRO Companies
(Price Range, # Cos, % of Total)

November 6, 2013



Monthly Value of TSXV Private Placement Financings



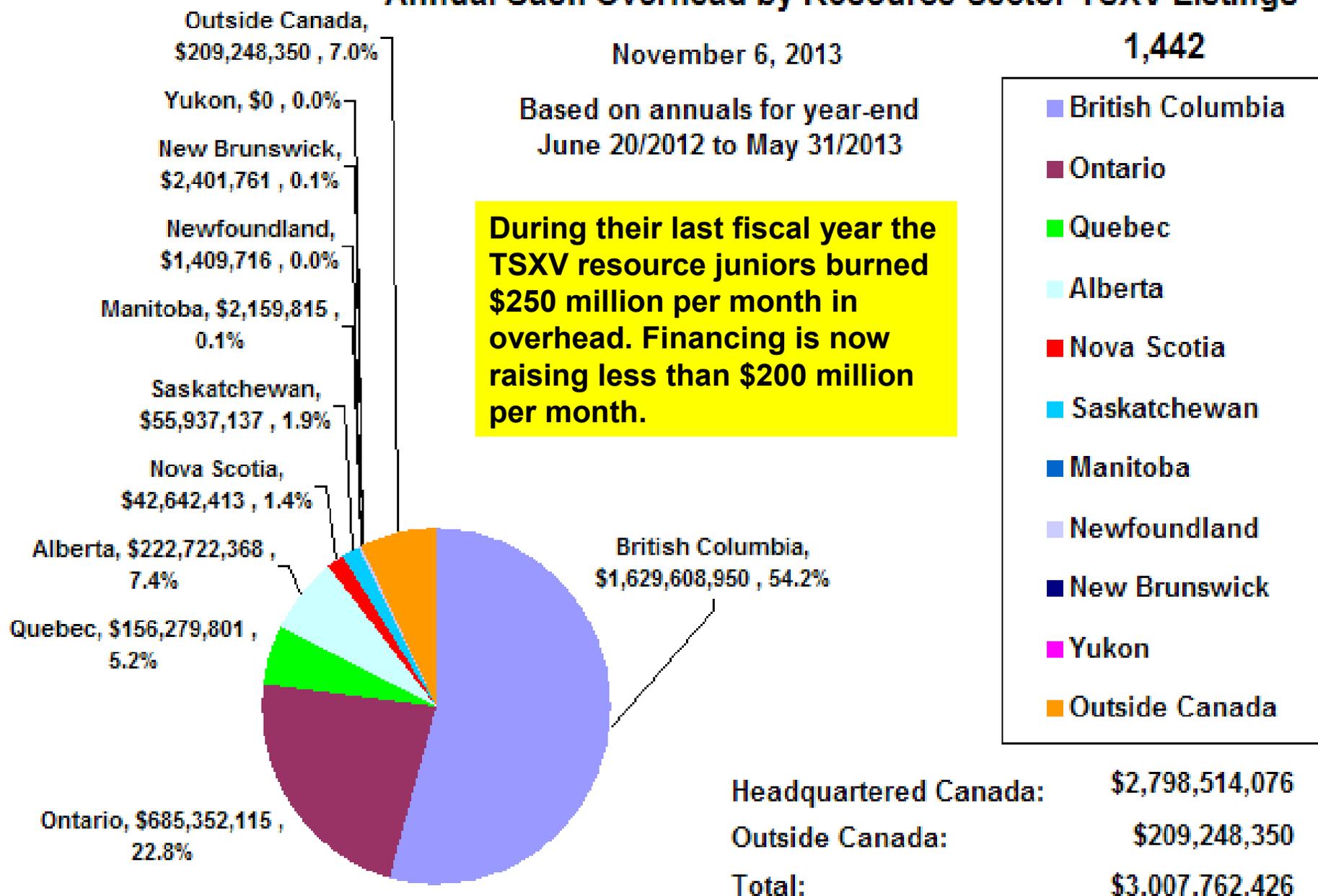
Annual Cash Overhead by Resource Sector TSXV Listings

November 6, 2013

1,442

Based on annuals for year-end
June 20/2012 to May 31/2013

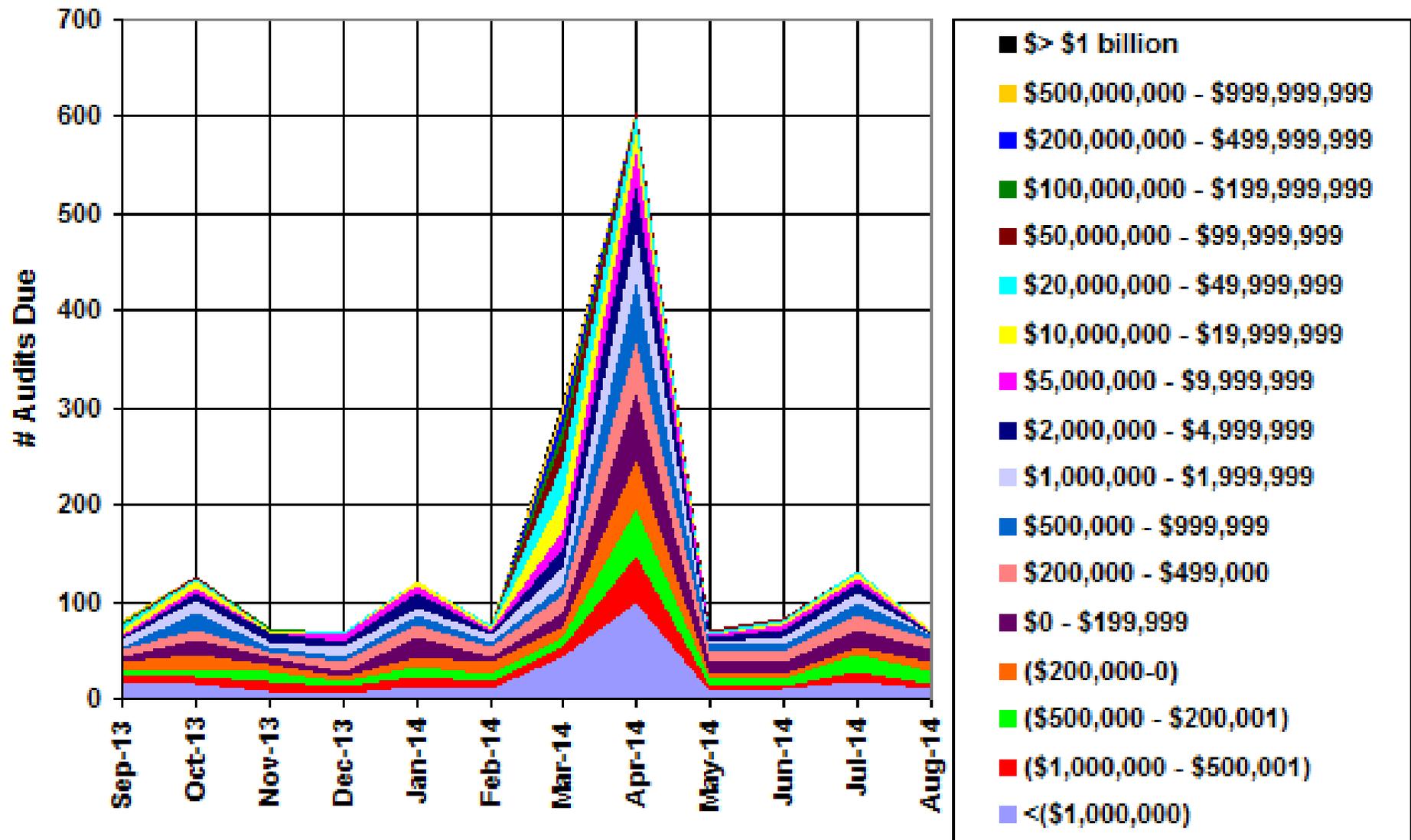
During their last fiscal year the TSXV resource juniors burned \$250 million per month in overhead. Financing is now raising less than \$200 million per month.



Headquartered Canada:	\$2,798,514,076
Outside Canada:	\$209,248,350
Total:	\$3,007,762,426

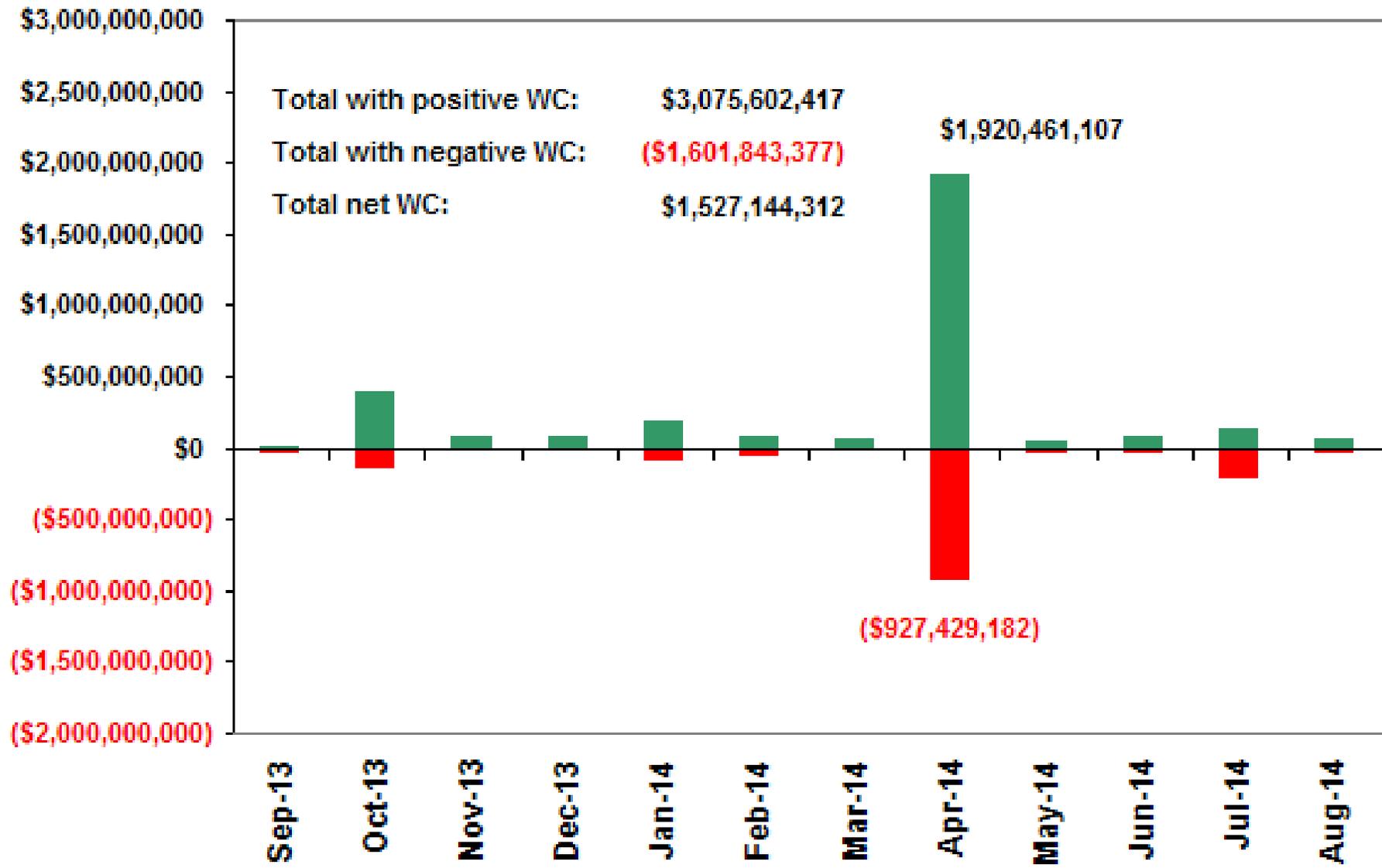
Audit Deadlines & Working Capital

1755 KRO featured TSX/TSXV Resource Companies



1415 TSXV Audit Deadlines & Working Capital

(Positive & Negative Working Capital tabulated separately, reflect latest filings)



KRO - TSXV/TSX Rollback Activity

Rollback Sum
Rollbacks per month



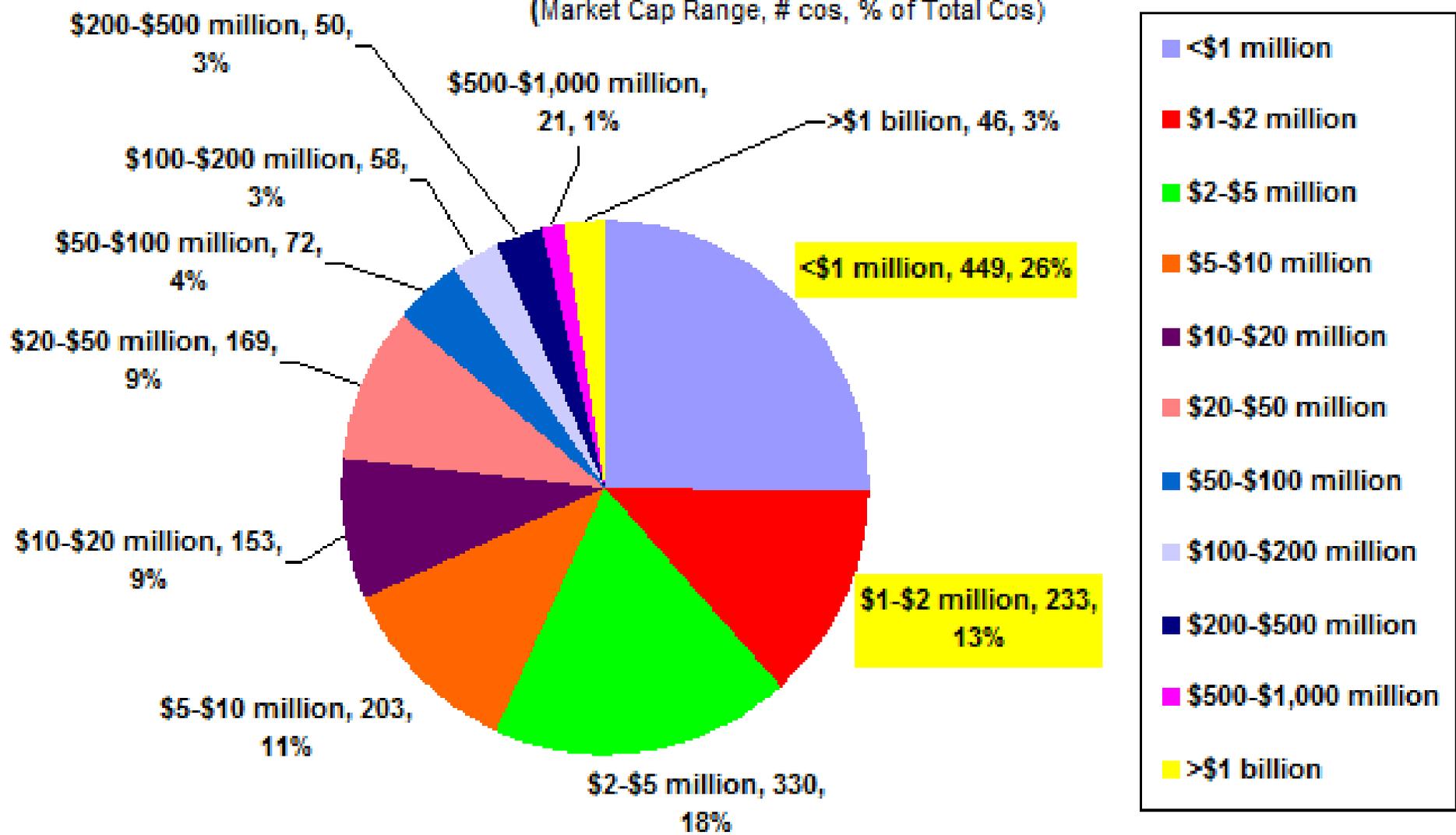
\$576,612,530,732

1784

Market Cap Range Breakdown

Active KRO Companies

(Market Cap Range, # cos, % of Total Cos)



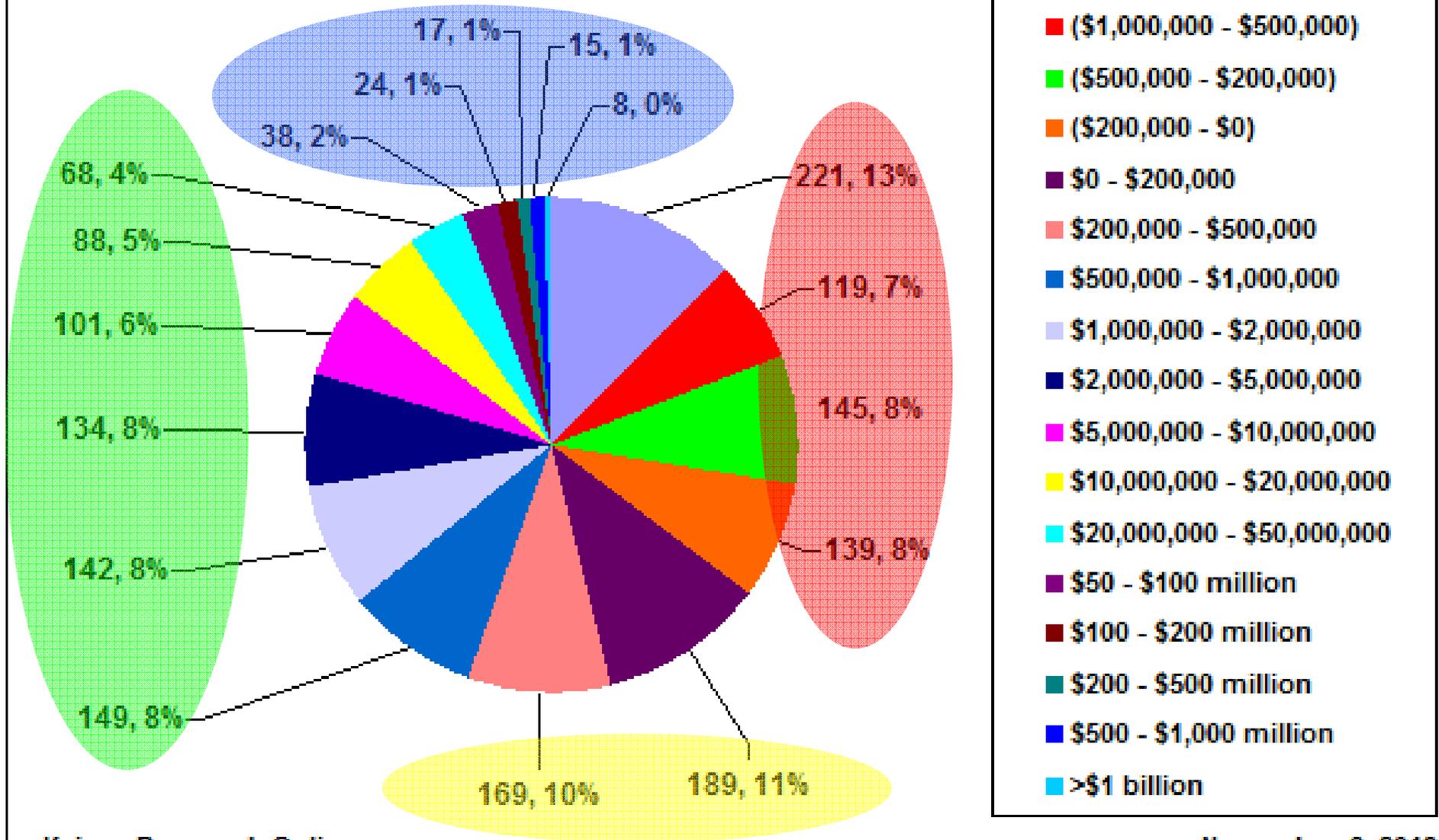
\$49,523,700,478

Working Capital Range Breakdown

1766

Active KRO Companies

(# cos, % of Total Cos)



Non-Cyclical Challenges for the Resource Juniors

- **Accessing Capital:** Brokers as a gateway between investor capital and corporate treasuries are disappearing through regulatory changes such as the “**client relationship model**” and a banking establishment shift to “**asset management**” which discourage individual stock trading due to the resulting “**suitability**” firewall. **Independent brokers** cannot survive on individual trade commissions that must be competitive with discount fees.
- **Accredited Investor Restriction:** The \$1 million net worth excluding residential real estate equity requirement for private placement participation severely reduces the pool of eligible investors. In the name of “**protection**” the regulators prevent the retail investor from being a source of capital that makes things happen and turns them into sheep to be fleeced by the trading elites. With only a 4 month hold restriction on private placements this “protection” is obsolete. The old model where “insiders” sell “private placement” stock into a “**retail after-market**” drummed up through “**promotion**” or through “**arranged trades (gypsy swap)**” and reinvest the proceeds through private placements no longer works.

Non-Cyclical Challenges for the Resource Juniors

- **Order Book Fragmentation:** The existence of un-consolidated multiple order execution platforms creates pointless complexity, kills the “**first come first serve principle**”, facilitates **computerized front-running**, and creates market distorting fee structures such as “**active vs passive orders**”.
- **Algorithmic and Proprietary Trading:** The arrival of computer assisted trading and the facilitation of proprietary day trading by individuals coupled with the **elimination of the up-tick rule for short-selling** and minimal borrowing requirements for short term positions has turned the TSXV into a **capital stripping mechanism** for traders that undermines the market as a **price discovery mechanism**. Resource juniors which by their nature lack “**intrinsic value**” are particularly vulnerable, and have difficulty achieving higher prices to fund followup work on “encouraging exploration results”. The result is a **dilution treadmill** that punishes investors willing to take on higher early stage risk. The pushback solution of **rollbacks** wipes out minority shareholders and brings back the “**rig job**” of yesterday. Liquidity is destroyed rather than created for the resource junior sector.

Non-Cyclical Challenges for the Resource Juniors

- **Knowledge Gap & Demographic Decline:** The expansion of resource junior focus from discovery exploration to feasibility demonstration has not seen a corresponding knowledge growth among retail investors as to how to value advanced projects. The retail investor largely missed the super-cycle bull market because it does not understand the valuation methods, and has neither the time nor tools to apply such “math” to generate conclusions. Issuer restrictions on “forward looking statements” make it very difficult for juniors to explain what it is they are trying to accomplish and what it would be worth if they succeeded. The explosion of information makes it impossible for brokers to be knowledgeable about more than a handful of juniors. The old model of working with a promoter who steers investors to a “knowledgeable broker” is broken. The generation that understood how to speculate on discovery exploration plays has “gray hair” and is actively discouraged by the regulators and banking establishment to “bet on penny stocks”. A younger generation is not “discovering” the junior resource sector and sees no reason why it is a better gambling forum than trading ETFs and leveraged derivative instruments. **We need an online interface that facilitates perceptual capture that is publicly available and gives structure to the resource junior market.**

Build your deposit, mine it, and share it!

Builder: JKaiser **BuildName:** Colorado North Rok **Build Status:** No public BP yet **BuildPlanName:** North Rok Test Close Form

Main Deposit Mining Cost Revenue Risk

BPDepositSourceID:

BPTonnageID:

BPTonnage:

Validate Deposit Choices

Tonnage

- None
- Very Unsure
- Somewhat Unsure
- Somewhat Sure
- Very Sure

BPTonnageNote is public:

	Metal 1	Metal 2	Metal 3	Metal 4
	<input type="text" value="Copper (%)"/>	<input type="text" value="Gold (g/t)"/>	<input type="text" value="Molybdenum (%)"/>	<input type="text" value="Blank ()"/>
Grade:	<input type="text" value="0.60%"/>	<input type="text" value="0.60"/>	<input type="text" value="0.00"/>	<input type="text" value="0.00"/>
	<ul style="list-style-type: none"><input type="radio"/> None<input checked="" type="radio"/> Very Unsure<input type="radio"/> Somewhat Unsure<input type="radio"/> Somewhat Sure<input type="radio"/> Very Sure	<ul style="list-style-type: none"><input type="radio"/> None<input type="radio"/> Very Unsure<input checked="" type="radio"/> Somewhat Unsure<input type="radio"/> Somewhat Sure<input type="radio"/> Very Sure	<ul style="list-style-type: none"><input type="radio"/> None<input type="radio"/> Very Unsure<input type="radio"/> Somewhat Unsure<input checked="" type="radio"/> Somewhat Sure<input type="radio"/> Very Sure	<ul style="list-style-type: none"><input type="radio"/> None<input checked="" type="radio"/> Very Unsure<input type="radio"/> Somewhat Unsure<input type="radio"/> Somewhat Sure<input type="radio"/> Very Sure

(Screenshot of prototype under development by Kaiser Research Online)

The most important survival strategy is having an answer to the following question:

What are you doing to create new wealth, why do you think you will succeed, and what would it be worth if you succeed?

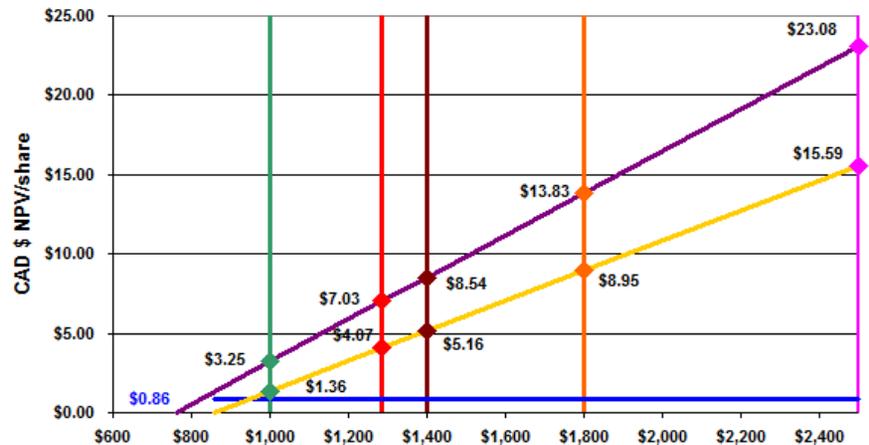
Or, what is your story?



Survivor Strategy #1: Resource Feasibility demonstration for projects that appear to work at prevailing metal prices.

Midas Gold - Golden Meadow - After Tax NPV Sensitivity

- Pessimistic - \$1,000/oz Au - IRR 16%
 - Base Case - \$1,400/ Au - IRR 28%
 - Current - \$1,286/oz Au - IRR 25%
 - Optimistic - \$1,800/oz Au - IRR 39%
 - Fantasy - \$2,500/oz Au - IRR 56%
 - Current Stock Price - \$0.86
 - Share vs \$/oz Au at 10% Disc Rate
 - Share vs \$/oz Au at 5% Disc Rate
- PEA Sept 2012: 20,000 tpd OP & Mill/POX, 15 year mine life
 Capex \$879 M, SustEx \$303 M, OpEx \$29/t, BC \$23.50/oz Ag, \$6/lb Sb
 I+H: 101.3 M t @ 1.72 g/t Au, 1.6 g/t Ag, incl 17.4 M t 0.45% Sb
 Flotation Recovery 89% Au, 16% Ag, 80% Sb with 65% payable
 FD: 141.3 M, tax rate 43%, exch 1:1 USD/CAD, 100% Net
 LOM payable 4.9 M oz Au, 335,000 oz Ag, 90.6 M lb Sb (antimony)



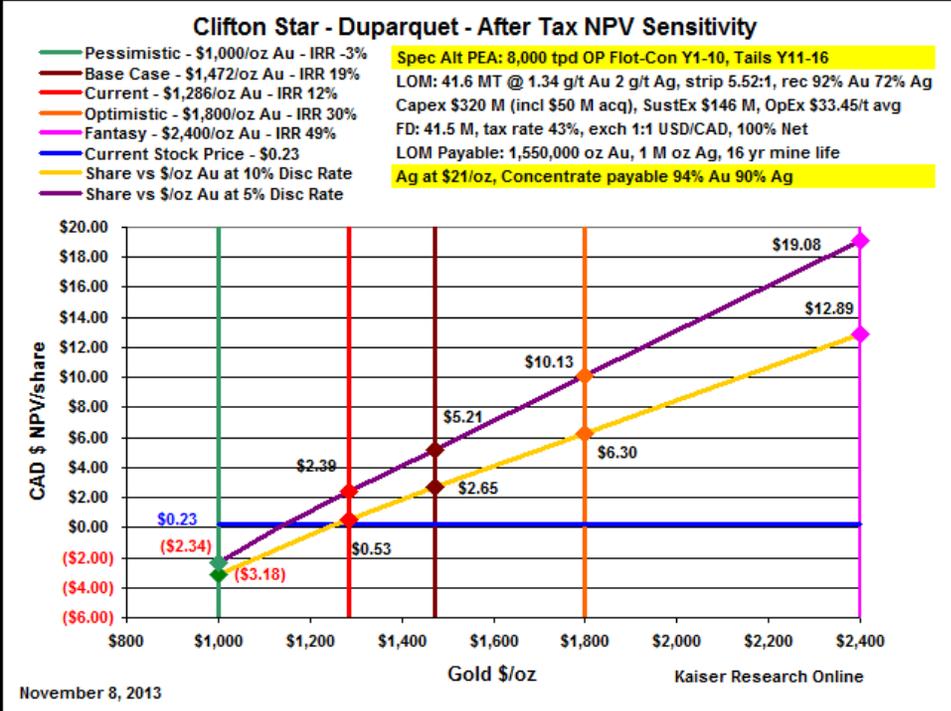
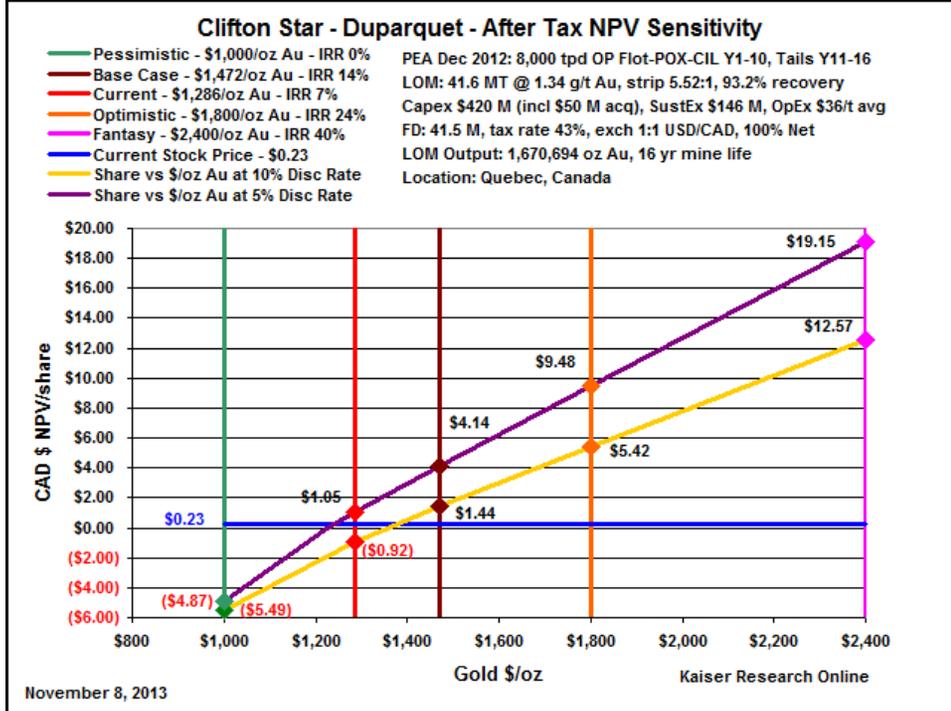
November 8, 2013

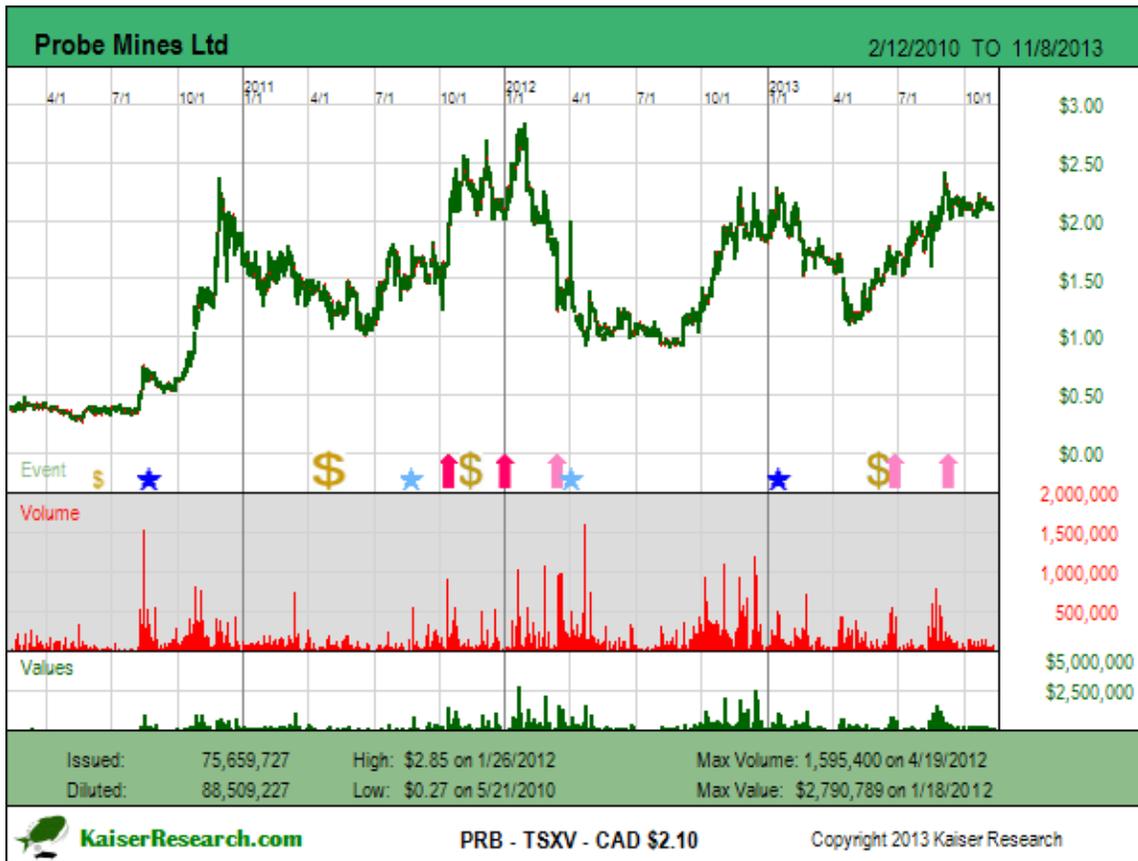
Gold \$/oz

Kaiser Research Online

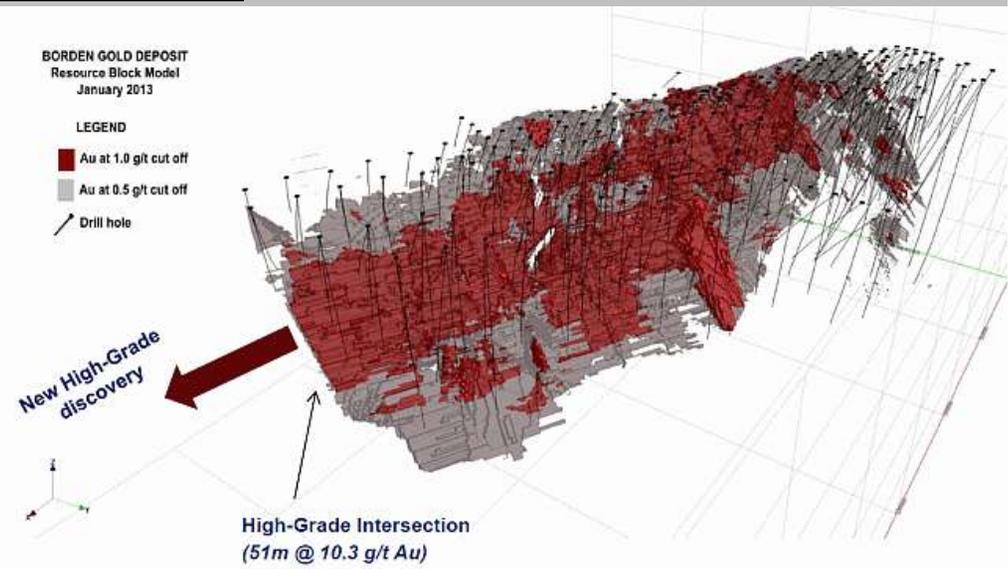
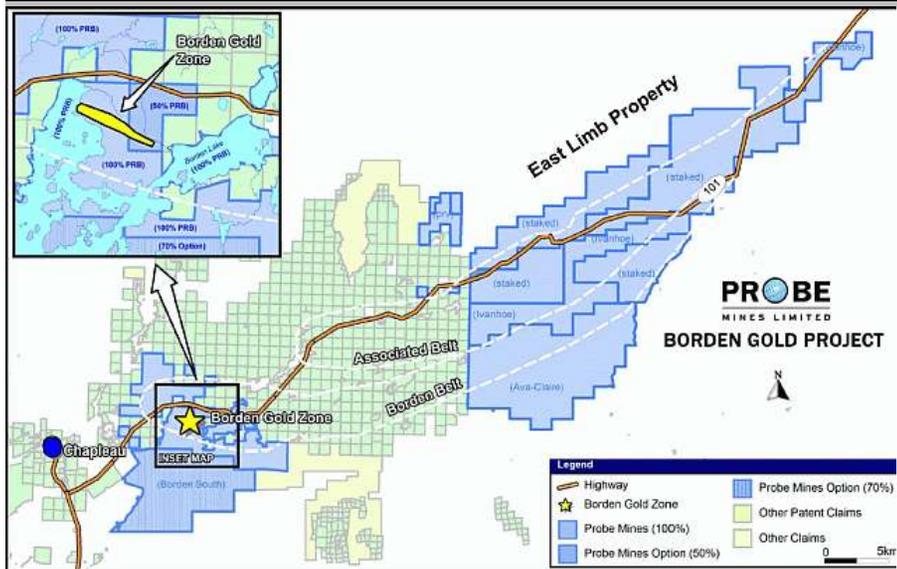


Survivor Strategy #2: Resource Feasibility demonstration keyed to higher real metal prices & alternative mining scenarios.



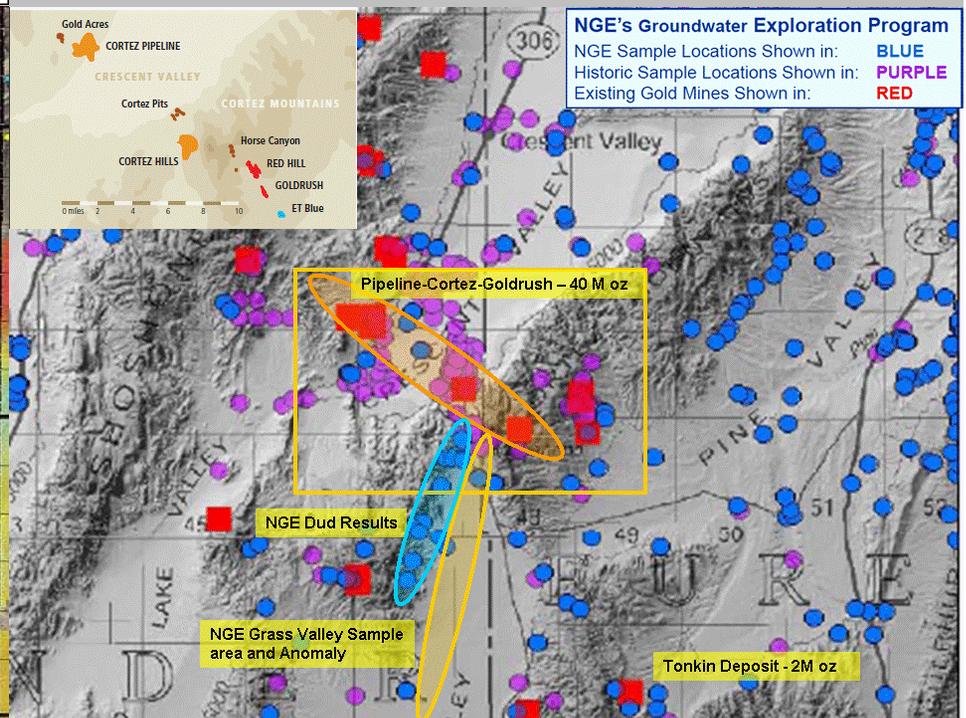
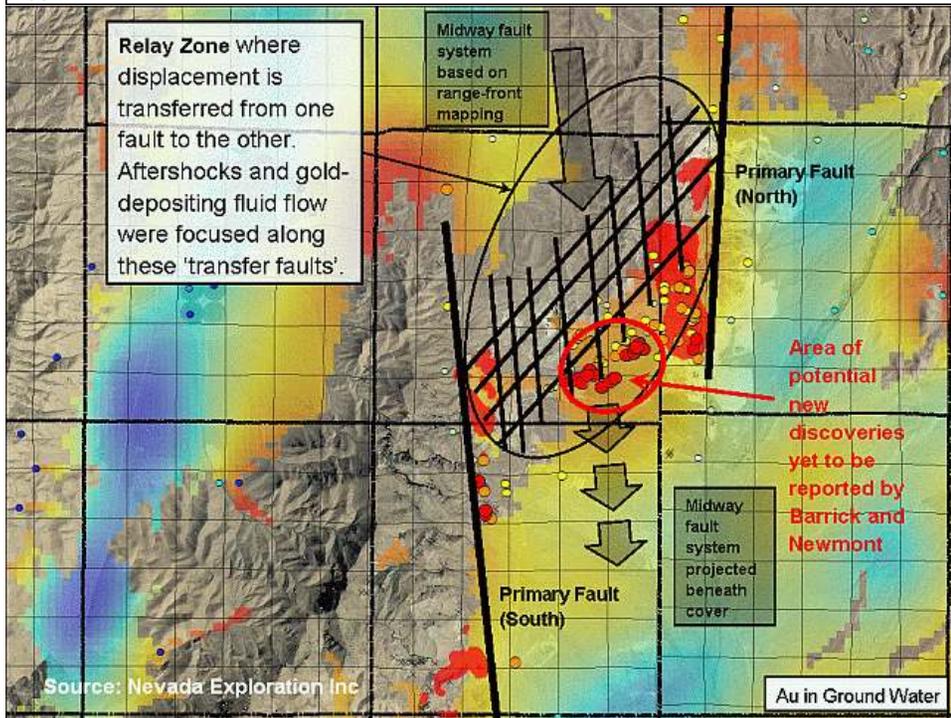


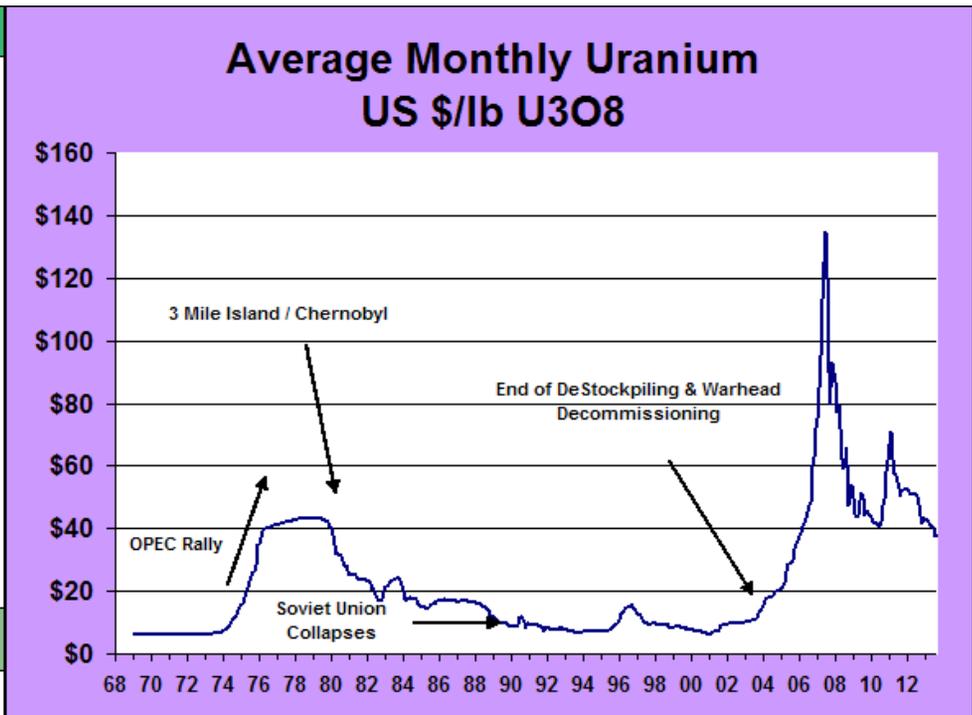
**Survivor Strategy #3:
Resource Feasibility
& Discovery within
the Discovery
Exploration**





Survivor Strategy #5: Deploy new target generation tools that enable you to see blind targets.







**Survivor Strategy #7:
Prospect-Generator
Farmout Model targeting
new geological models and
underexplored regions.**



Diagnos Inc

2/12/2010 TO 11/8/2013

Survivor Strategy #8: Applying computer algorithms to existing data sets to generate new targets.



Issued: 77,823,689

High: \$0.52 on 3/30/2010

Max Volume: 1,569,500 on 7/9/2012

Diluted: 87,773,702

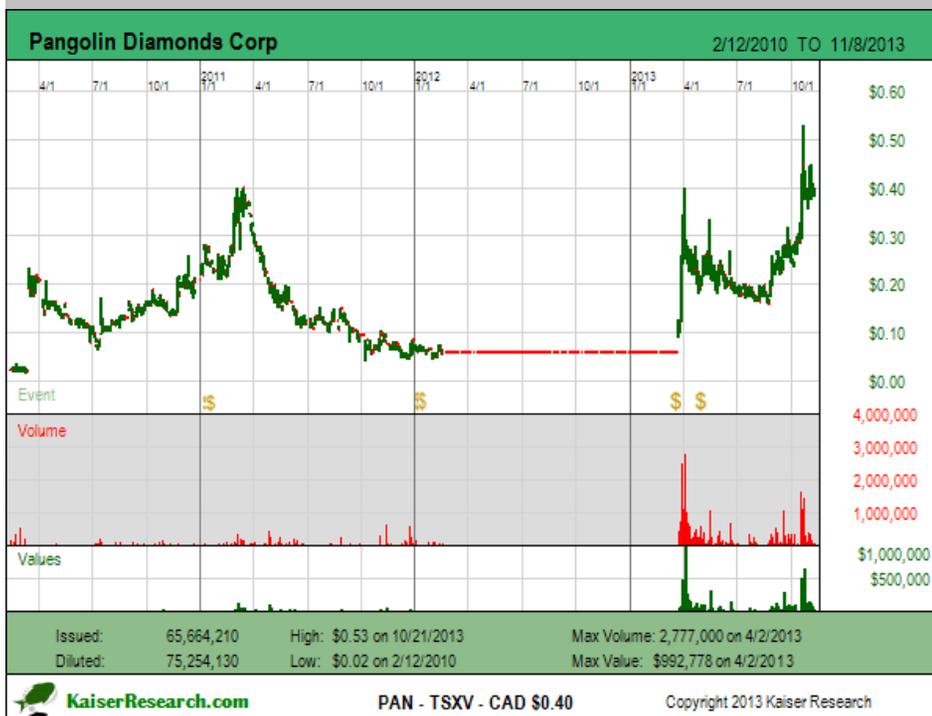
Low: \$0.05 on 4/24/2013

Max Value: \$242,034 on 9/6/2011

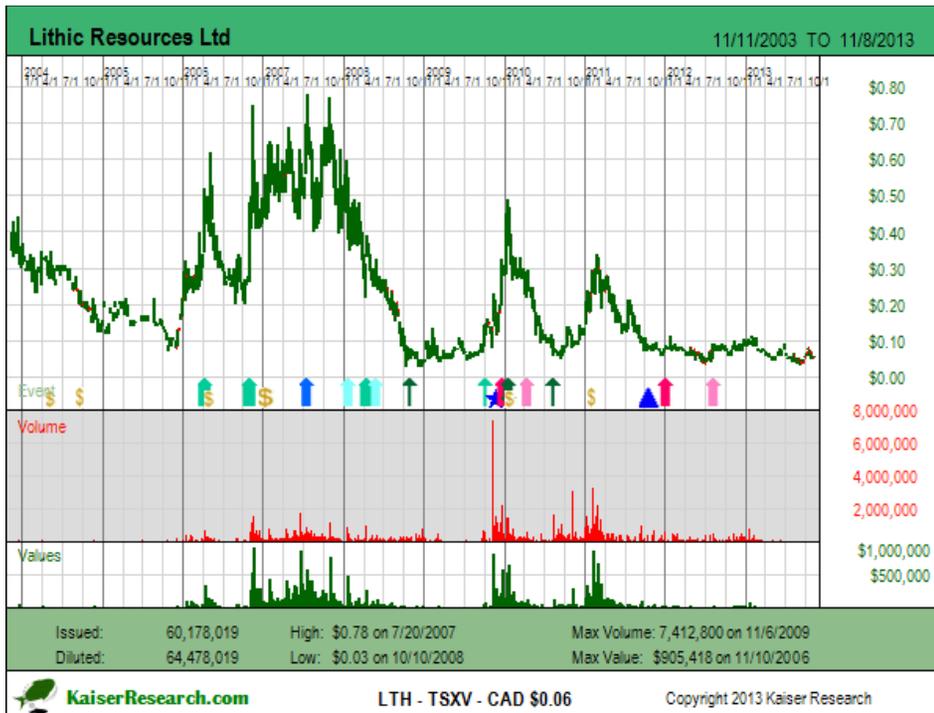




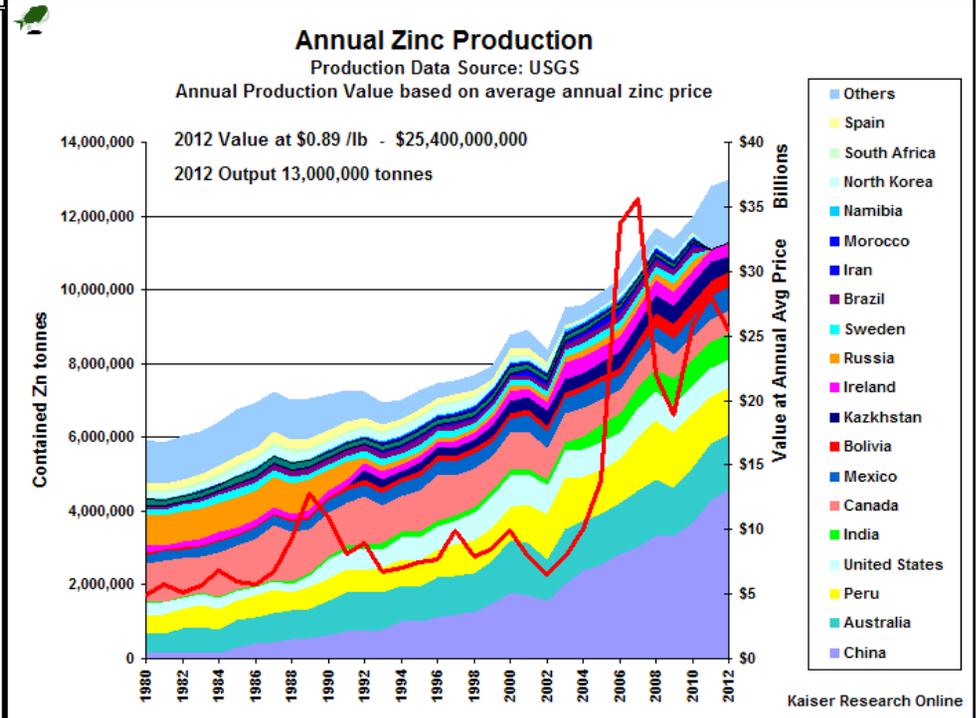
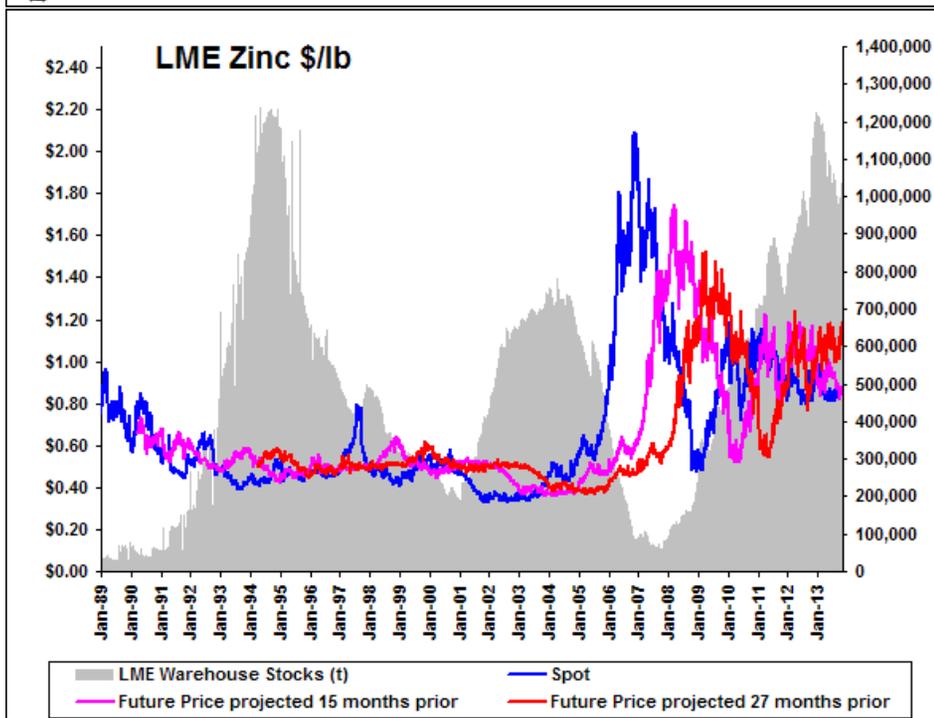
Survivor Strategy #9a: focus on feasibility demonstration play with a commodity not burdened by daily price volatility .



Survivor Strategy #9b: focus on discovery exploration for a commodity not burdened by daily price volatility.



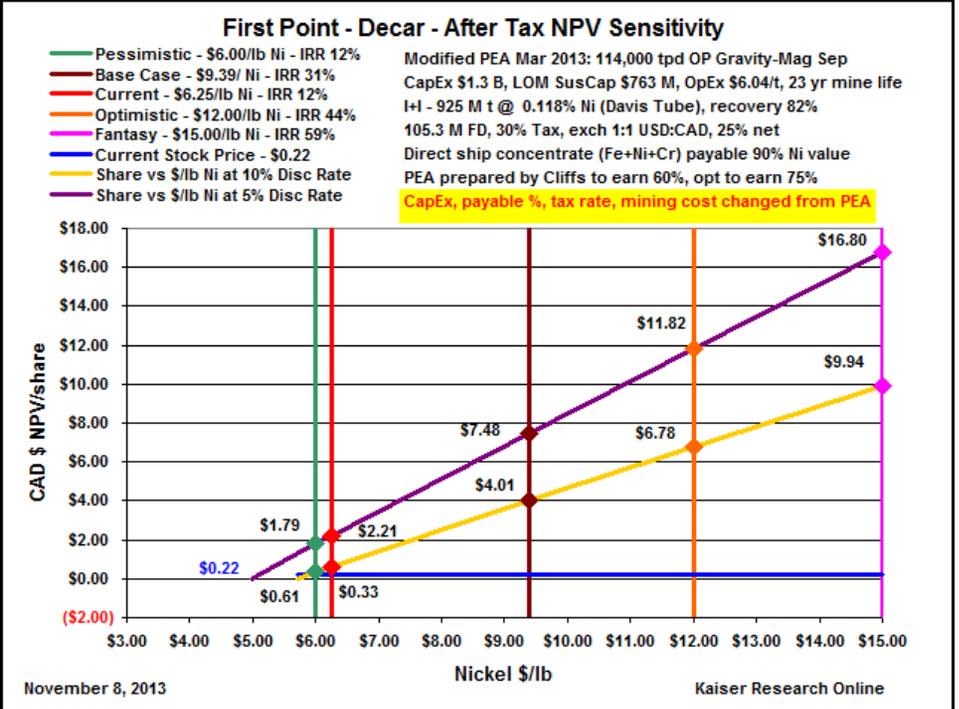
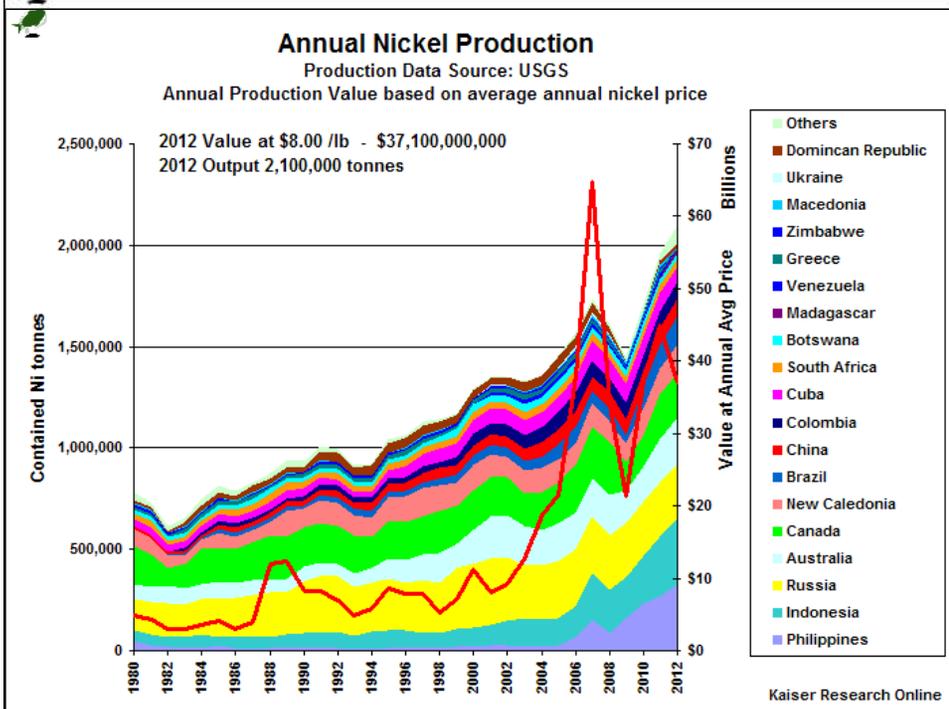
Survivor Strategy #10: focus on zinc, an out of favor commodity for which a supply-demand imbalance is brewing.





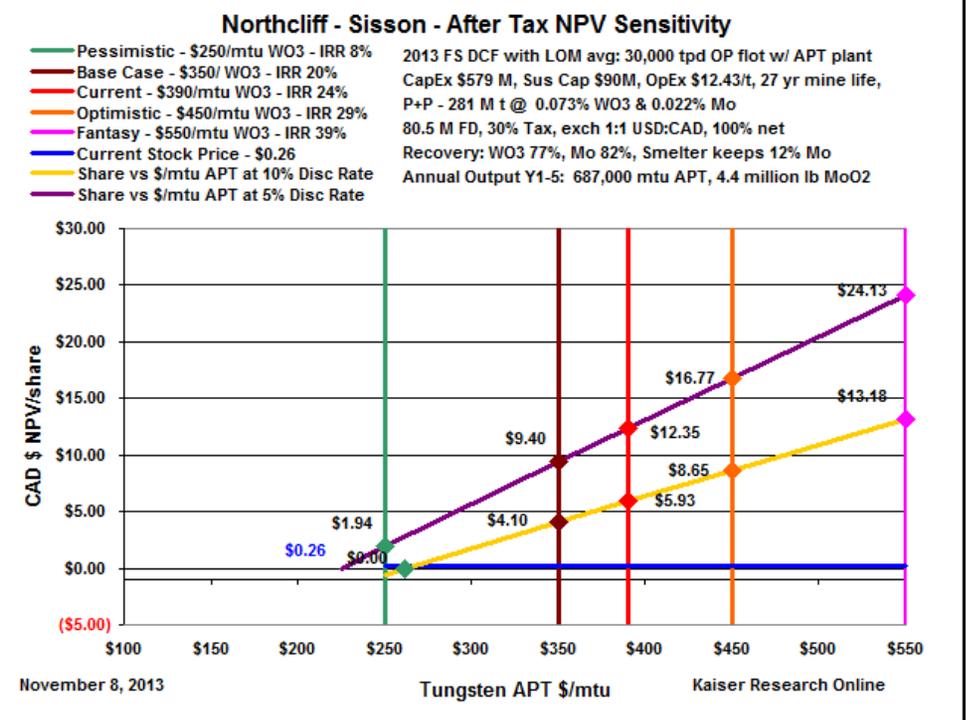
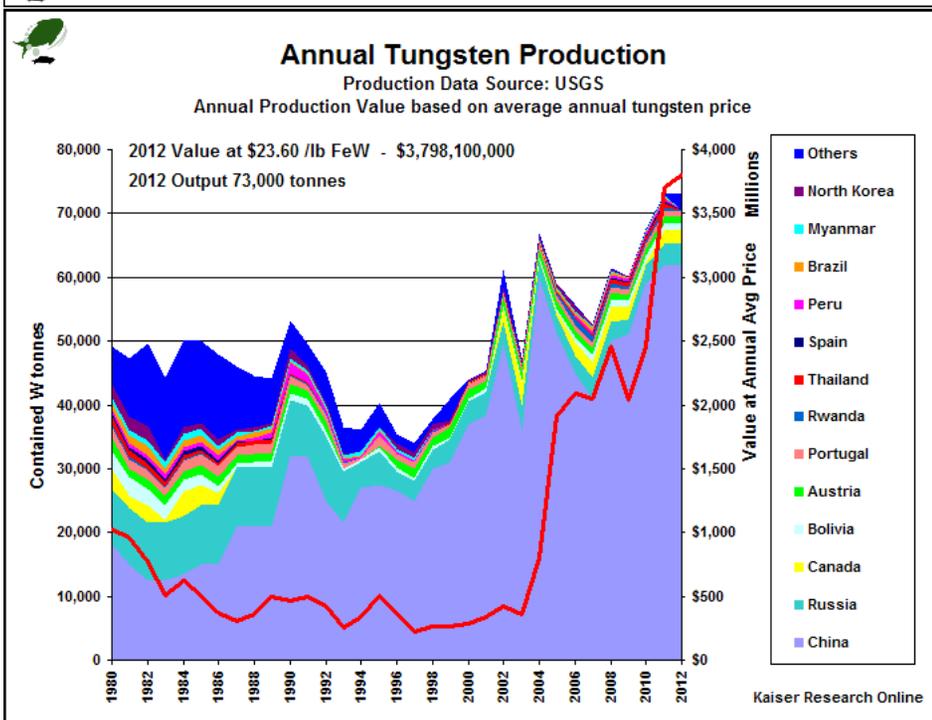
Survivor Strategy #11: focus on new style of mineralization and processing approach.

KaiserResearch.com FPX - TSX - CAD \$0.18 Copyright 2013 Kaiser Research



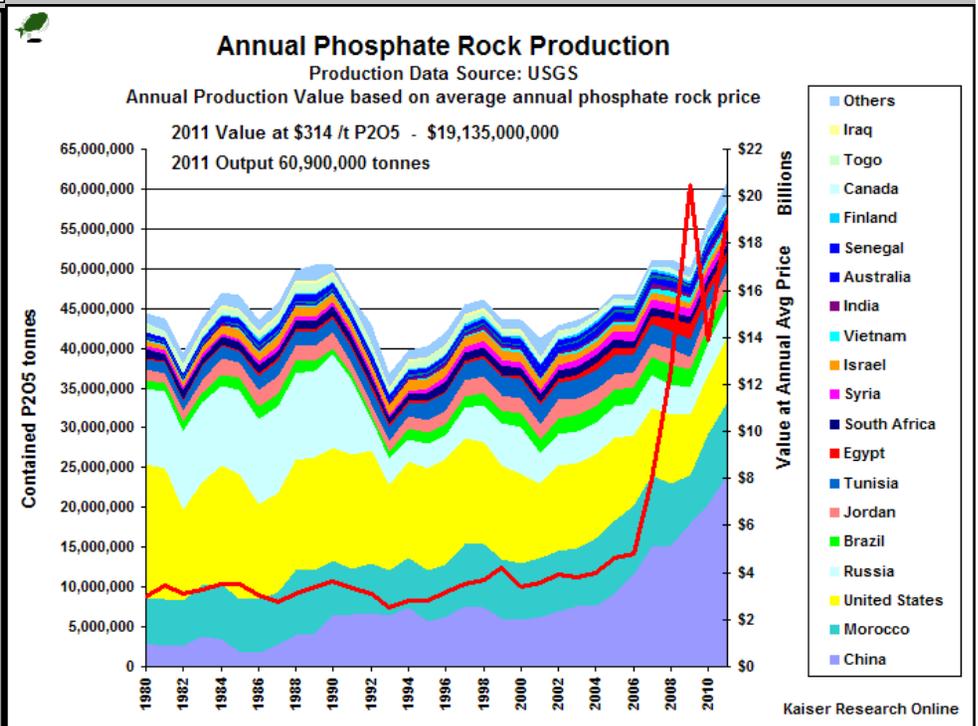
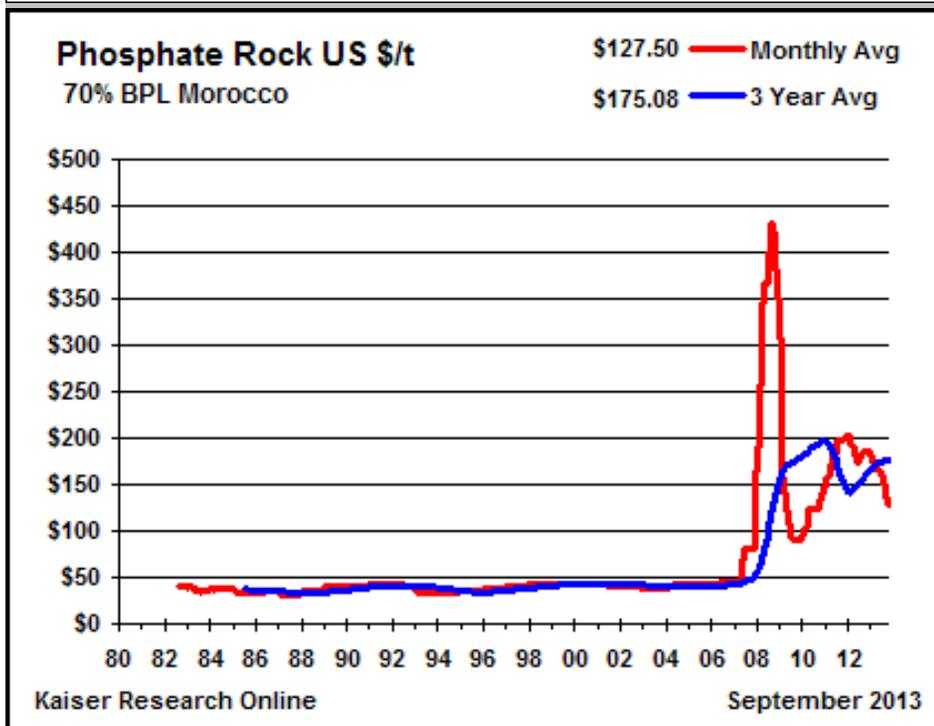


Survivor Strategy #12a: focus on a metal with a looming security of supply problem like tungsten.





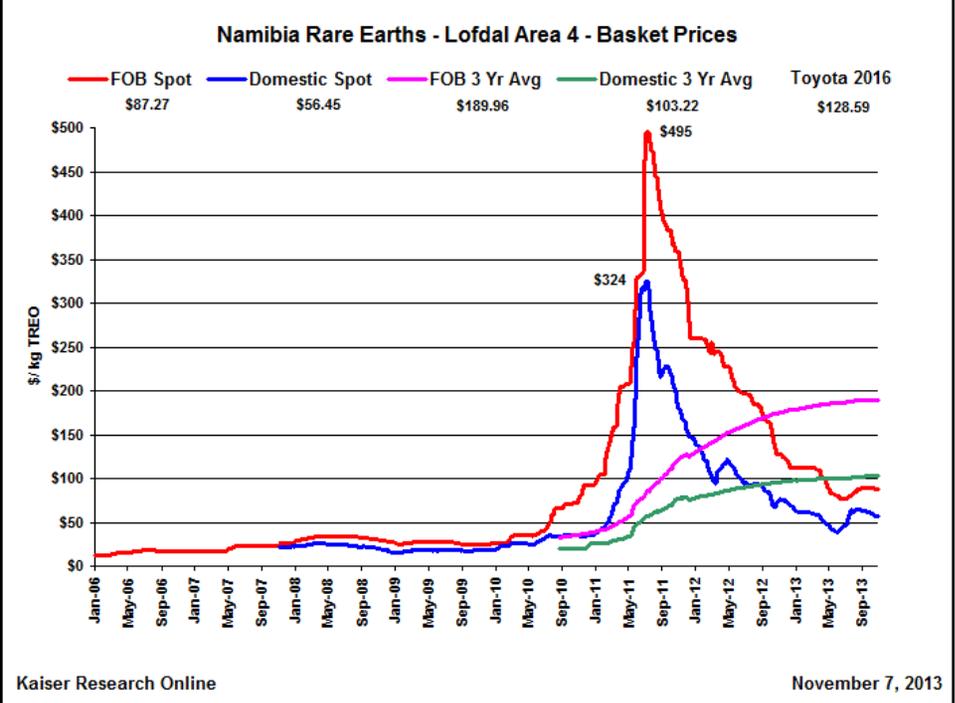
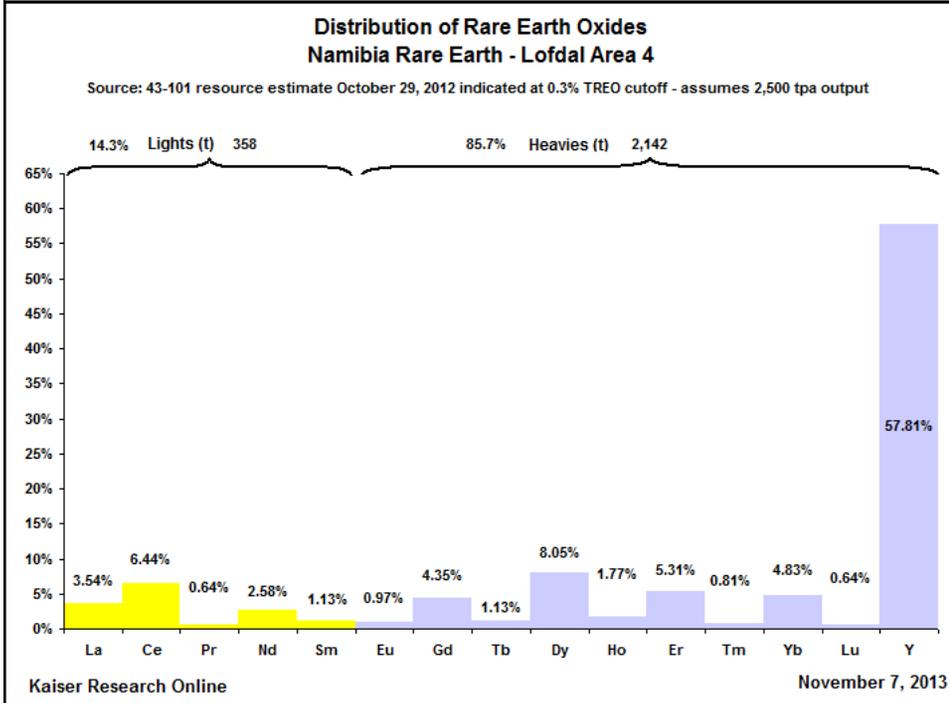
Survivor Strategy #12b:
focus on a commodity with a
local security of supply
problem like phosphate in
North America.





**Survivor Strategy #12c:
focus on a fast-track
solution to a security of
supply problem.**

KaiserResearch.com NRE - TSX - CAD \$0.15 Copyright 2013 Kaiser Research



Maya Gold & Silver Inc

2/12/2010 TO 11/8/2013

Survivor Strategy #13: focus on a country that has not yet had a wave of modern exploration such as Morocco.



Event

\$ \$ ★ \$ \$ \$ \$ \$ \$ \$

Volume

2,000,000

1,500,000

1,000,000

500,000

Values

\$500,000

\$250,000

Issued: 109,088,759

High: \$0.62 on 12/9/2010

Max Volume: 1,438,100 on 6/18/2010

Diluted: 144,917,759

Low: \$0.18 on 7/31/2013

Max Value: \$370,311 on 6/18/2010



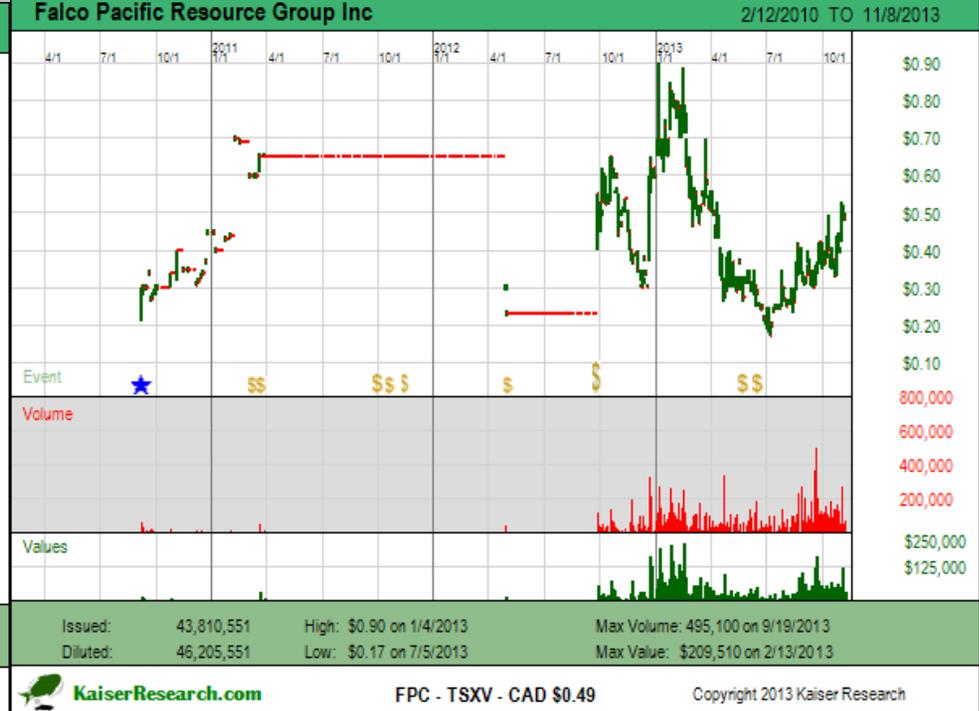
KaiserResearch.com

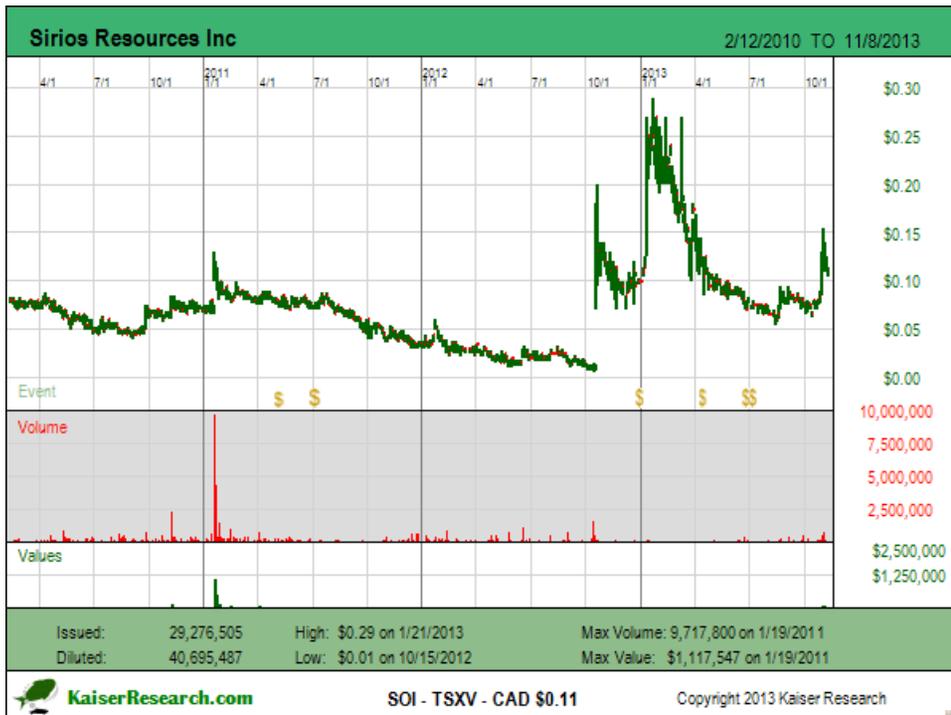
MYA - TSXV - CAD \$0.25

Copyright 2013 Kaiser Research

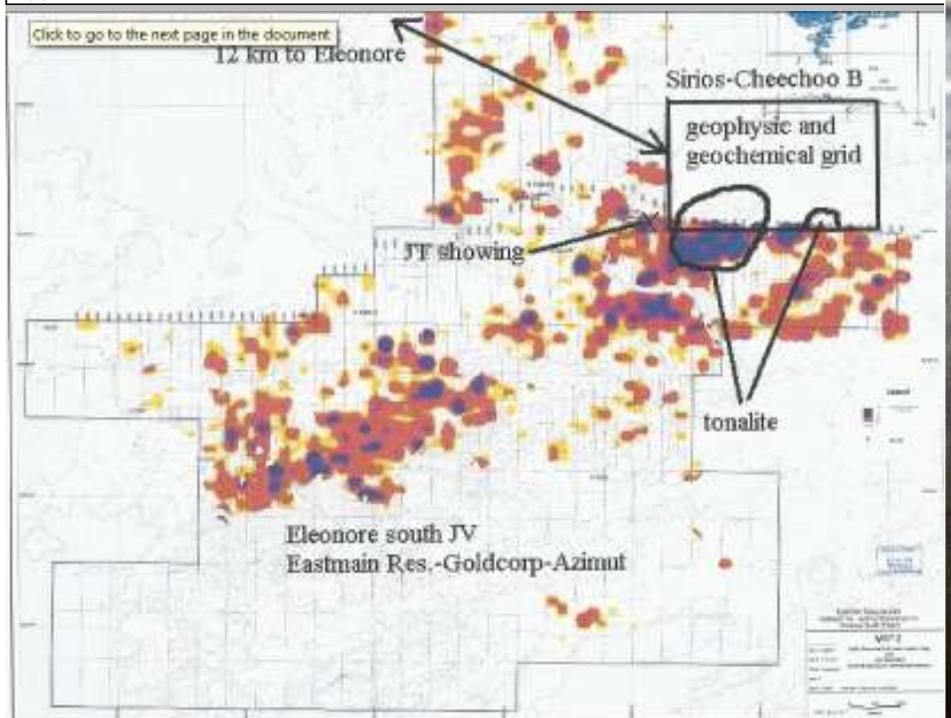


Survivor Strategy #14: revisit old mining districts with new deposit or mining models.





Survivor Strategy #15: focus on the longshot toiling geologist who may be on the threshold of an unexpected major discovery.



Virginia Gold Mines Inc

5/18/1995 TO 4/30/2006

Don't wait for metal prices to bail out the junior resource sector, make it happen by delivering new discoveries that work with the metal prices we have.



Issued:	45,770,609	High:	\$15.85 on 4/3/2006	Max Volume:	4,461,800 on 12/8/2005
Diluted:	49,047,708	Low:	\$0.41 on 9/17/1999	Max Value:	\$46,625,810 on 12/8/2005

Kaiser Research Online Membership

- \$100 every 30 days auto renewal
- \$250 per calendar quarter auto renewal
- \$800 per year no auto renewal

www.KaiserResearch.com