

# **2009 Calgary Resource & Clean Energy Investment Conference**

**Calgary, Canada**

**April 5, 2009**

**Presented by John Kaiser**

**Exploiting the Bottom-Fishing Window**

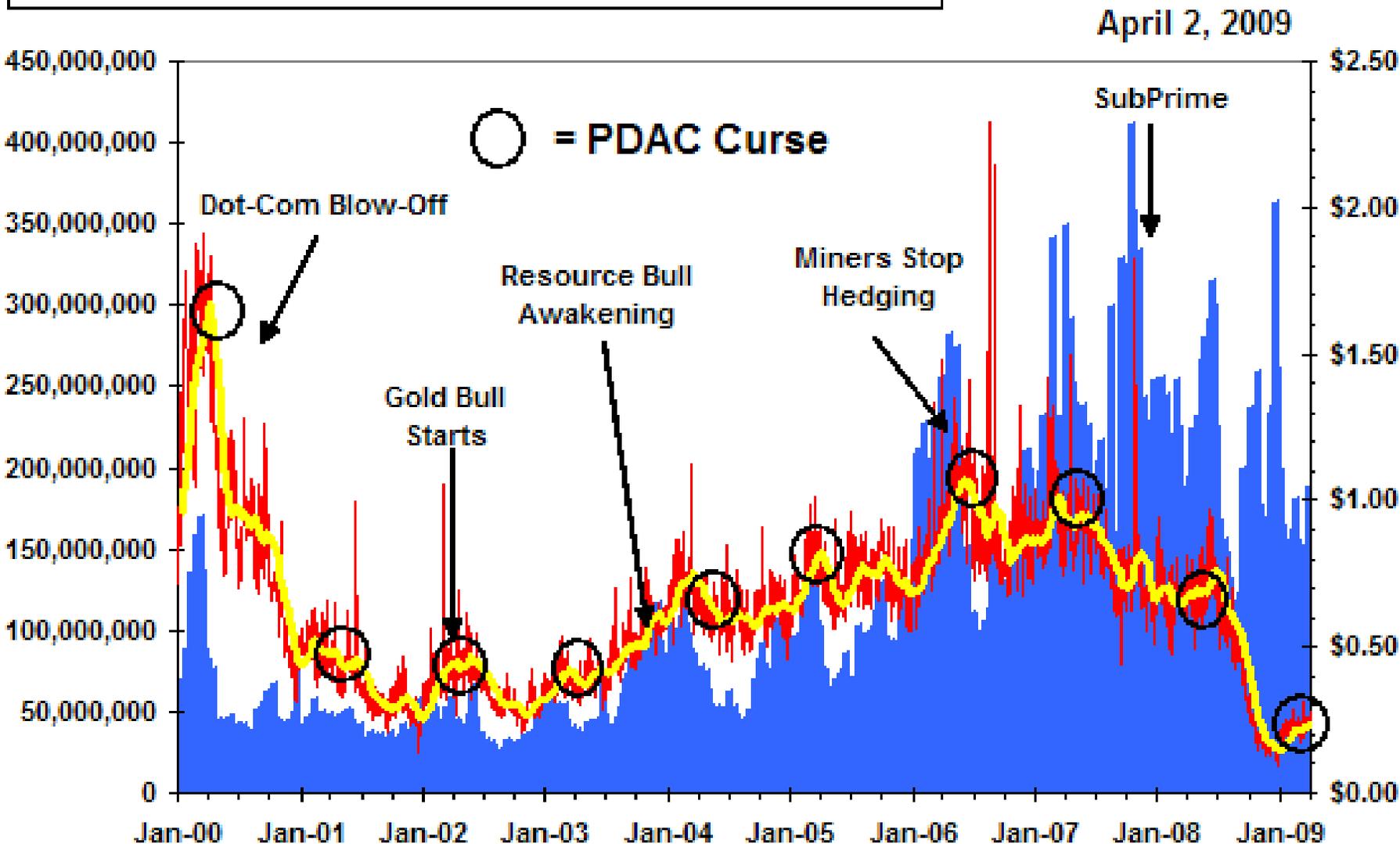
**[www.KaiserBottomFish.com](http://www.KaiserBottomFish.com)**



# Daily TSXV Volume and Average Trading Share Price



Volume — Average Share Price — 30 Day Average Price



PDAC Curse: the tendency of the new year rally to fizzle right after the PDAC mining convention held annually in March in Toronto.

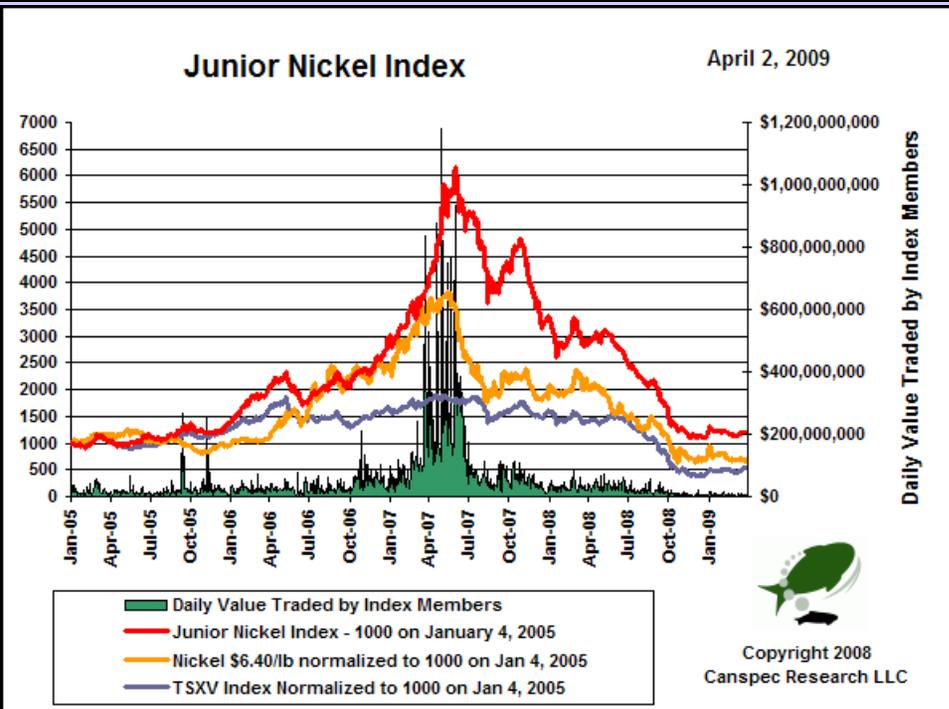
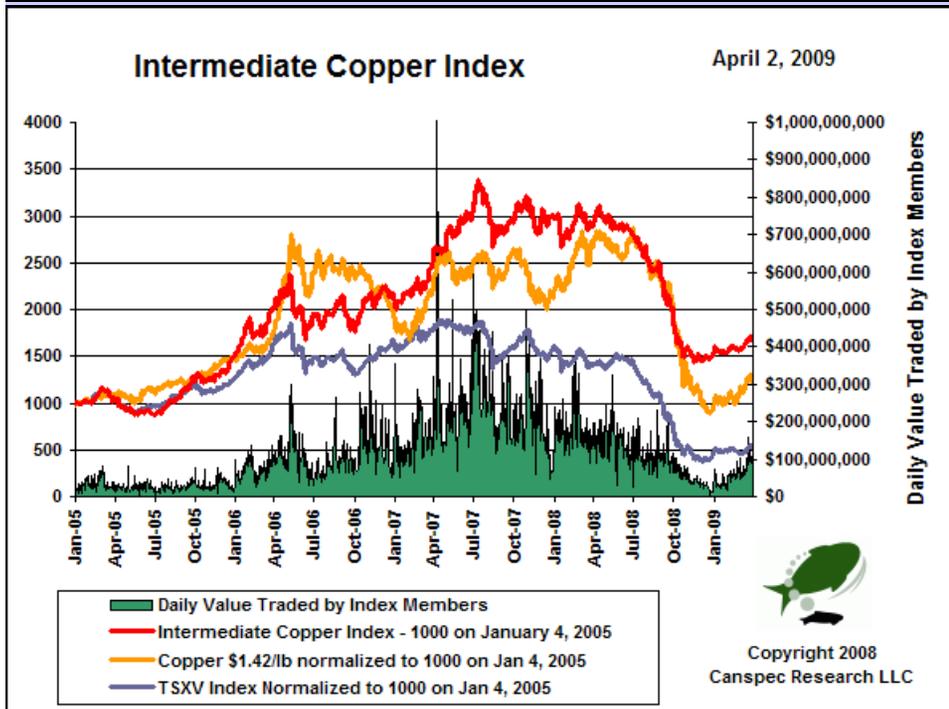
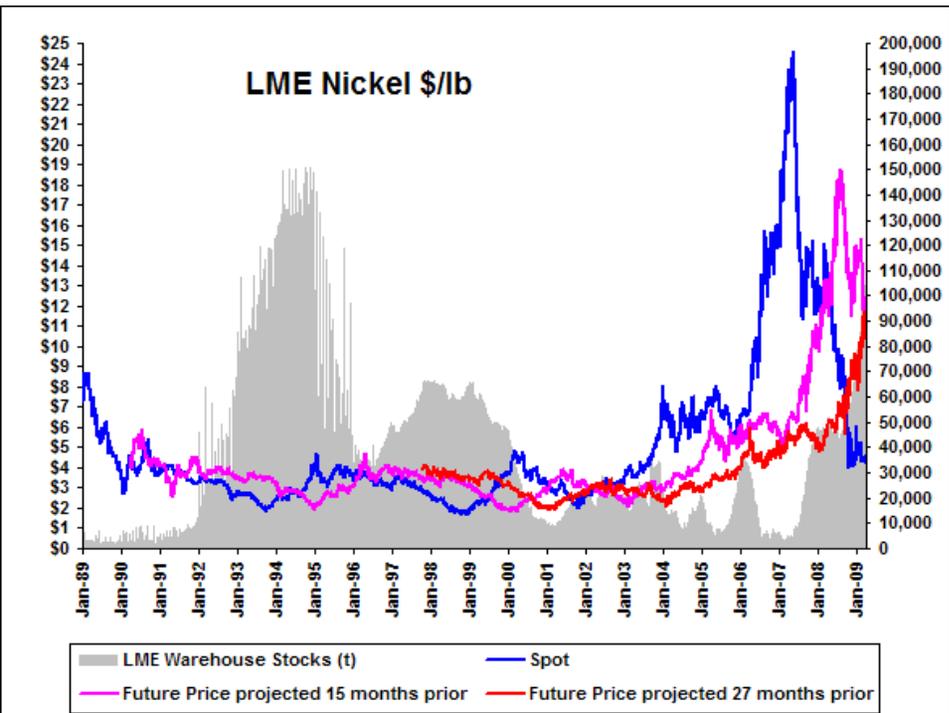
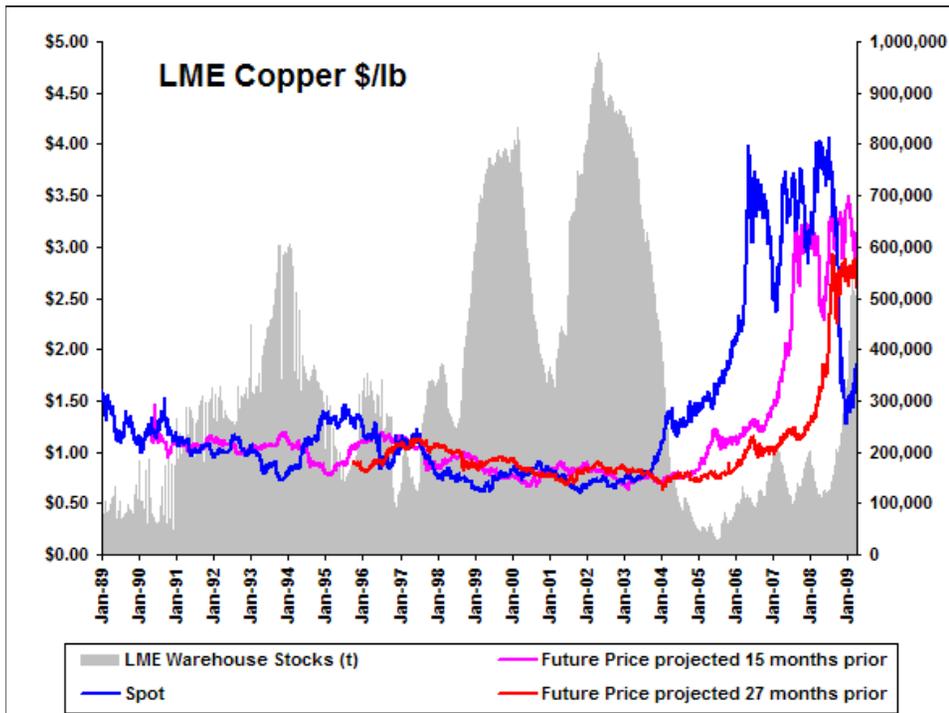
## 2 Types of Resource Sector Story Speculation Cycles

### Commodity Speculation

- Resource Estimates - Ounces & Pounds in the Ground
- Focused on development portion of exploration cycle: infill drilling, metallurgy, prefeasibility, feasibility/permitting, construction
- Vulnerable to geopolitical risk and commodity price volatility
- Valuation based on DCF Method & Peer Group Comparison
- Financing Intensive – a more institutional and less retail audience
- 1976-1981 (oil, gold, copper), 2003-2008 (base metals), 2009+ (gold?)

### Discovery Speculation

- No Resource Estimates – just geology & location
- Focused on early discovery part of exploration cycle: grassroots, target generation & drilling, discovery delineation
- Speculation focused on grade and tonnage, repeatability by area player or conceptually similar plays, commodity price irrelevant
- Valuation based on Rational Speculation Model
- Financing comes from sophisticated investor & retail audiences
- 1982-2002 (Hemlo, Eskay Creek, Ekati, Voisey's Bay, Busang, Veladero), 2003-2008 (Fruta del Norte), 2009+ (a comeback?)

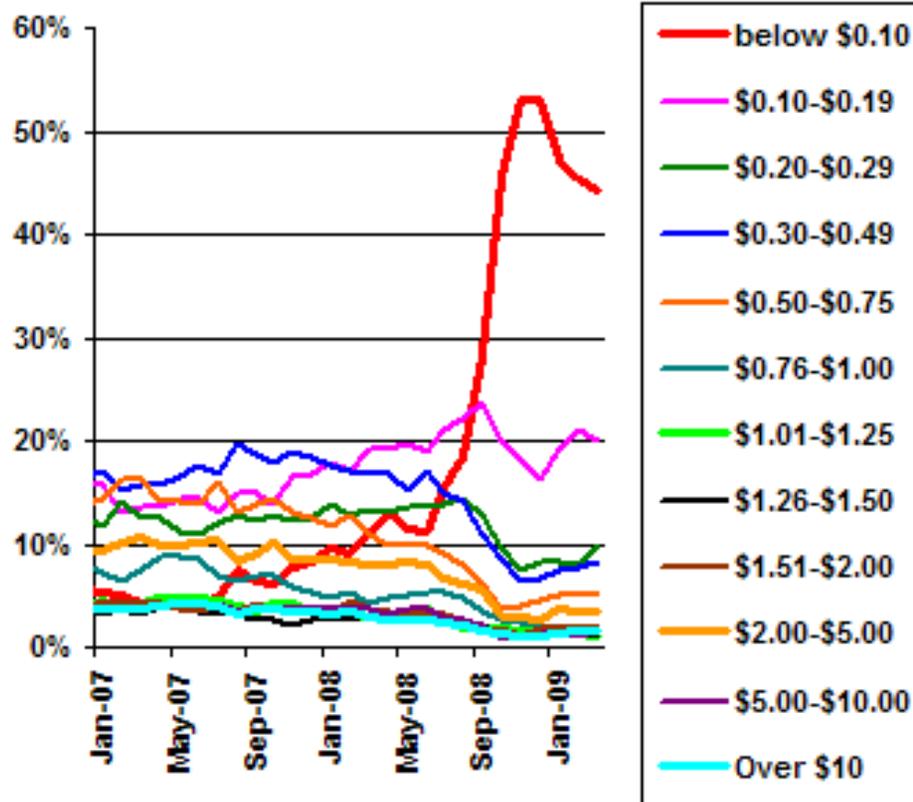


**The 2003-2008 Market Cycle**  
**Racing Ounces & Pounds in the Ground toward Production –**  
**closely linked to the Commodity Cycle**

<b>Gold</b>	<b>1,301,656,659</b>	<b>oz</b>
<b>Silver</b>	<b>12,944,652,803</b>	<b>oz</b>
<b>Platinum</b>	<b>24,897,219</b>	<b>oz</b>
<b>Palladium</b>	<b>45,094,590</b>	<b>oz</b>
<b>Copper</b>	<b>583,169,169,622</b>	<b>lb</b>
<b>Nickel</b>	<b>63,897,427,564</b>	<b>lb</b>
<b>Zinc</b>	<b>218,743,411,976</b>	<b>lb</b>
<b>Lead</b>	<b>69,905,459,755</b>	<b>lb</b>
<b>Molybdenum</b>	<b>25,096,129,098</b>	<b>lb</b>
<b>Uranium</b>	<b>1,747,902,708</b>	<b>lb</b>
<b>Vanadium</b>	<b>575,578,759</b>	<b>lb</b>
<b>Tungsten</b>	<b>4,311,163,366</b>	<b>lb</b>
<b>Spot GMV:</b>	<b>\$3,411,047,451,402</b>	
<b>3 Year Average GMV:</b>	<b>\$5,072,880,566,728</b>	

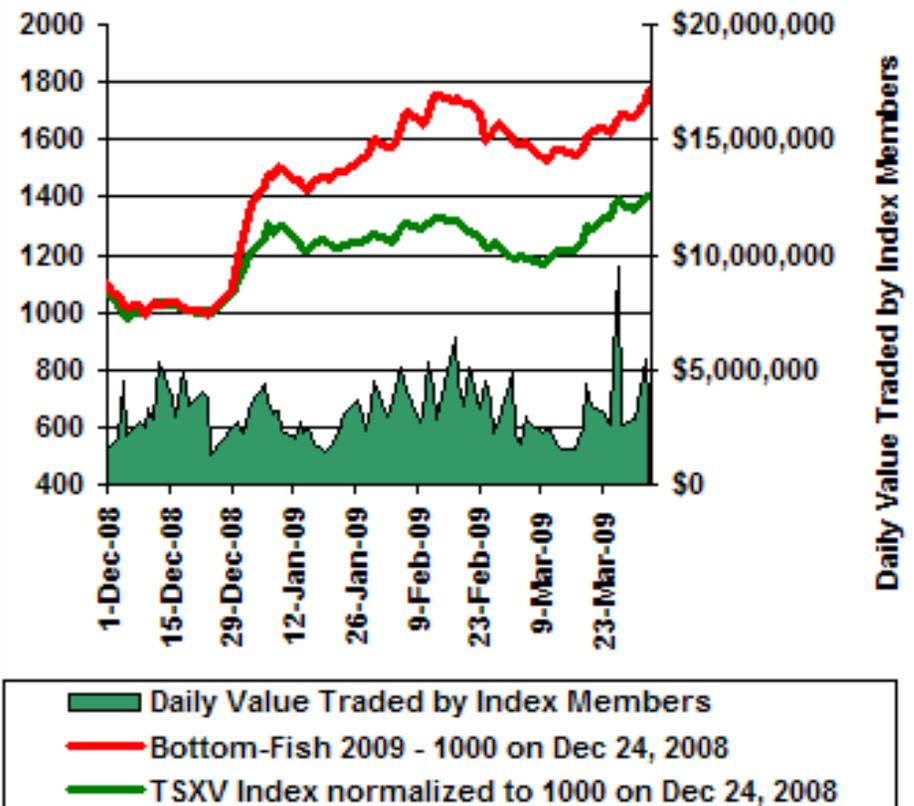
# Catastrophic Collapse has created a once in a life time bottom-fishing window for the resource sector

**KBFO Price Range Distribution**  
(March 31, 2009 total: 1,566 companies)



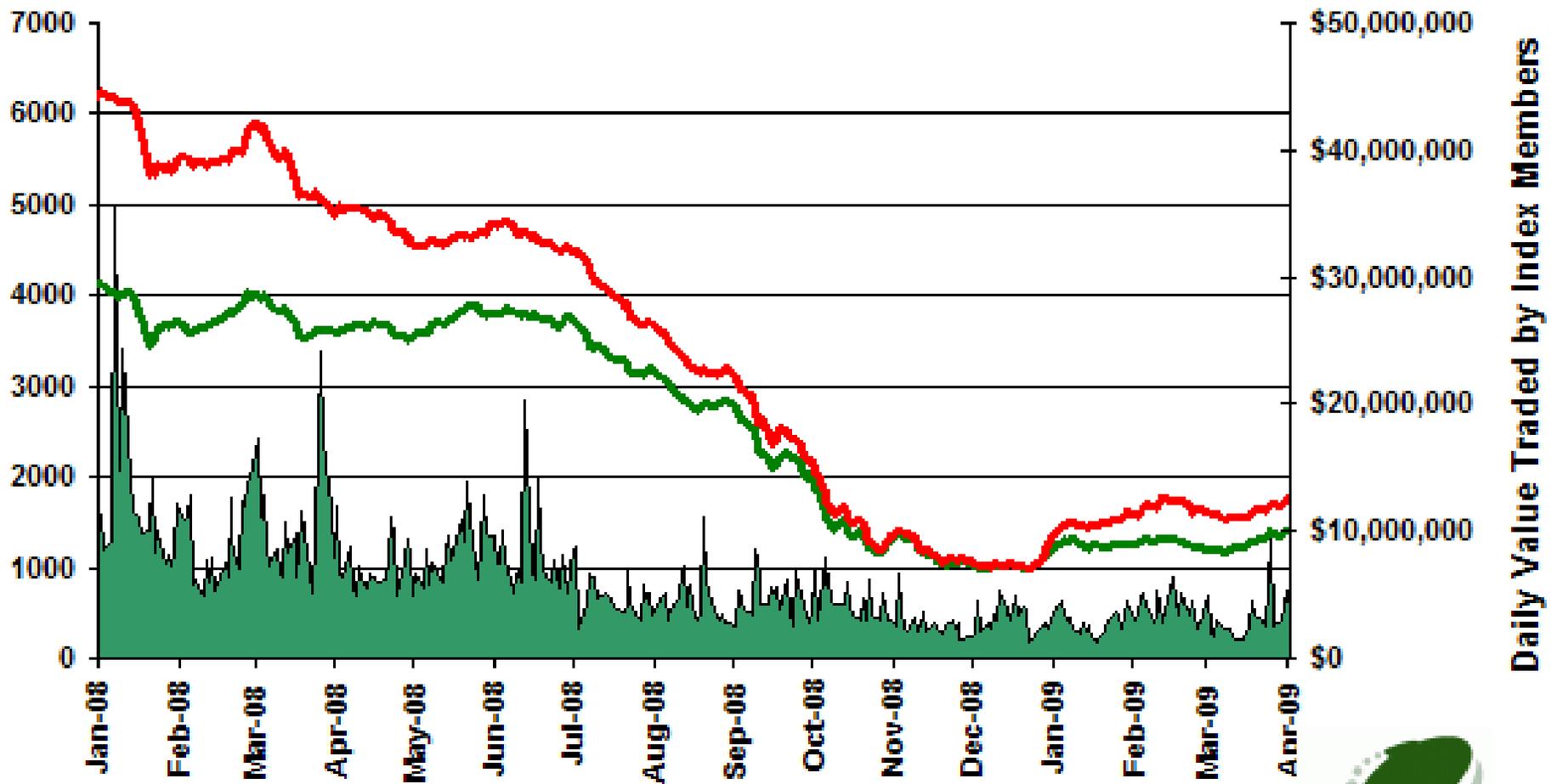
**Bottom-Fish 2009**

April 2, 2009



# Bottom-Fish 2009 Index

April 2, 2009



- Daily Value Traded by Index Members
- Bottom-Fish 2009 - 1000 on Dec 24, 2008
- TSXV Index normalized to 1000 on Dec 24, 2008



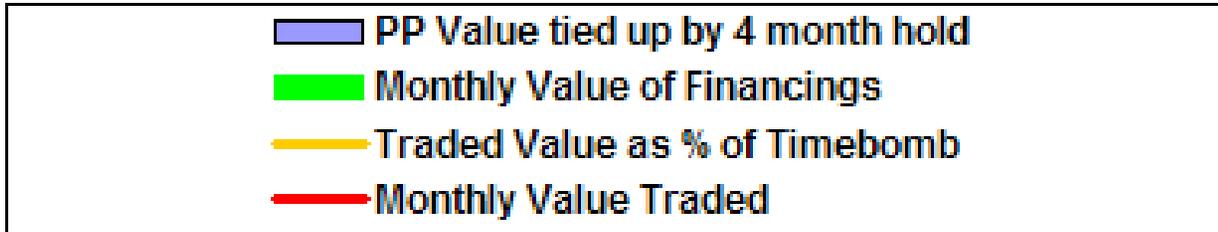
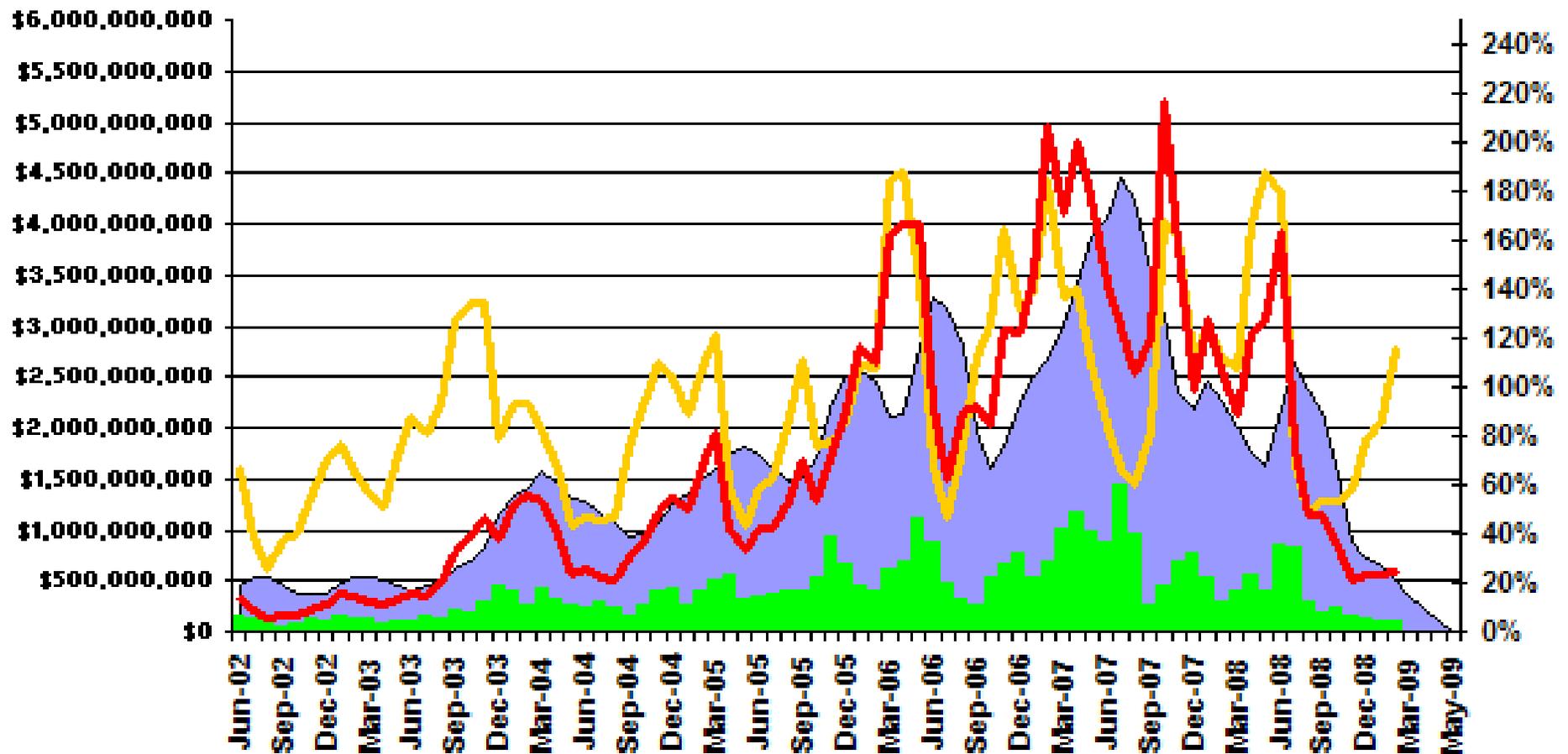
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Canspec Research LLC

# The Elements of Bottom-Fish Research

- **Chart:** does the stock chart have a bottoming pattern?
- **People:** is the management team full-fledged and does it have a track record of success?
- **Structure:** do insiders own enough paper to be motivated to turn the junior into a success?
- **Capital:** does the company have enough money to achieve its goals, especially if we face a prolonged slump?
- **Story:** does the company have a project either with intriguing discovery potential, or ounces/pounds in the ground that deserve development?
- **Speculative Value:** using the rational speculation model, does the story offer good speculative value?

# TSXV Private Placement Timebomb

as of February 2009



# Bottom-Fish Poison

- **Bankruptcy, Suspension, Delisting** – projects under construction not fully funded are particularly vulnerable.
- **Corporate Reorganizations (RollBacks)** – large 10:1 or more stock consolidations followed by post-rollback 80-90% further price declines.
- **Massive Equity Dilution at rock bottom** – hail mary financings or vulture capitalism
- **Convertible Debenture Financing** – large financings with the asset as security and a high conversion price – investors are seeking high interest yield with twofold expectation of a brief bear market followed by higher stock prices that justify conversion into equity, or an extended bear market that causes the junior to default and allows the debenture holders to acquire the asset through massive dilution of existing equity holders by conversion of debt into paper at rock bottom.
- **Major Shareholder Advances** – management at mercy of parent who has no incentive to support stock price boosting initiatives, eventually converts debt into paper at cheap prices or privatizes the company.
- **Friendly Paper Takeover Bids by stronger juniors or intermediates** – desire by management to be relieved of financing burden in bear market and secure liquidity.
- **Hostile Paper Takeover Bids** by stronger juniors seeking cash of weaker junior
- **Cash Vanishing Acts** - bad acquisitions, normal course issuer bids, investments in other juniors, merger with private companies, foolish farm-ins, high paid management paralysis.
- **Super Cheap OTC BB Style “Hardship” Financings** by suitcase shell packagers

## Copper



## Rare Earths



## Diamonds



## Potash



## Lithium



## Gold



## Gold



## Gold

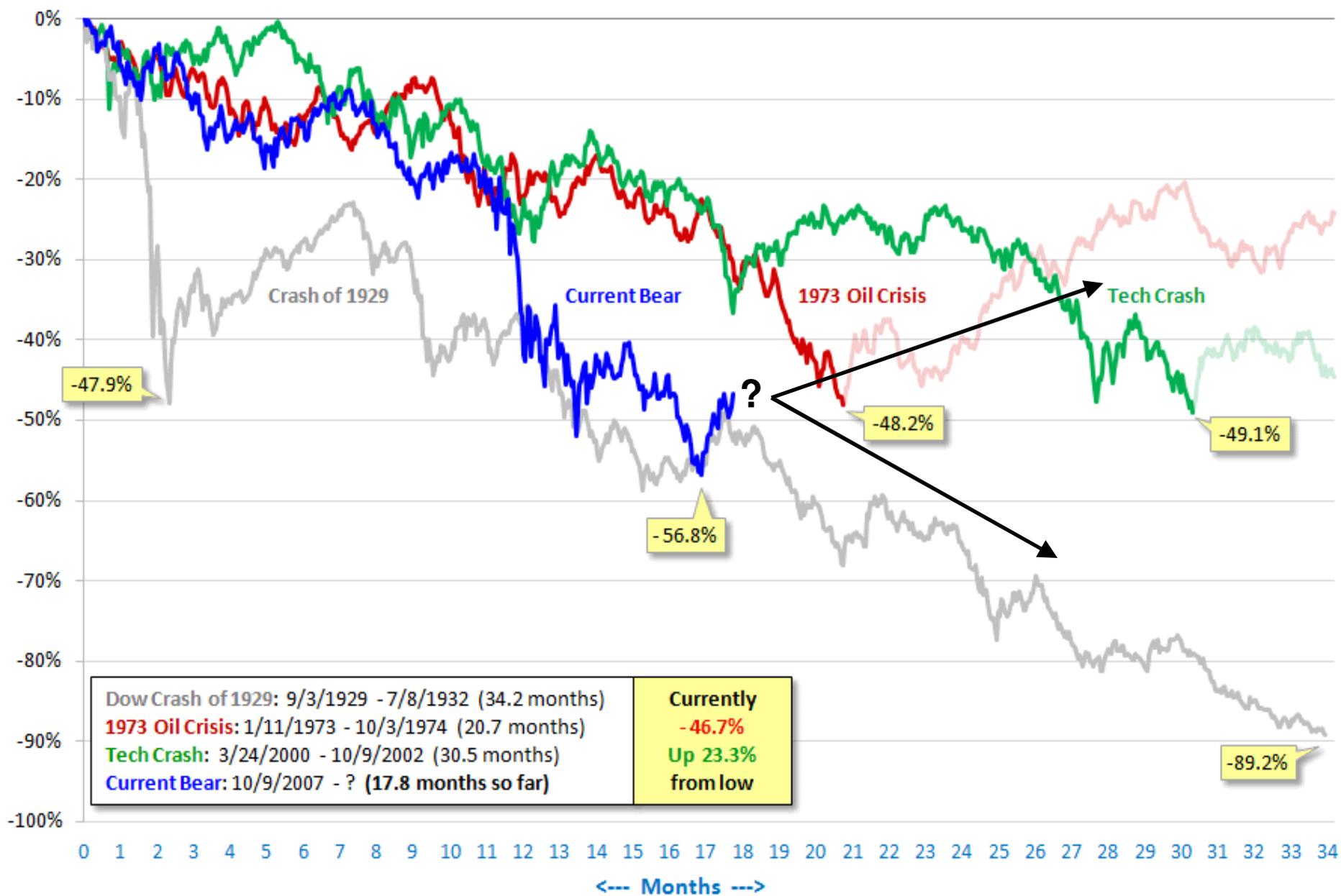


## Silver



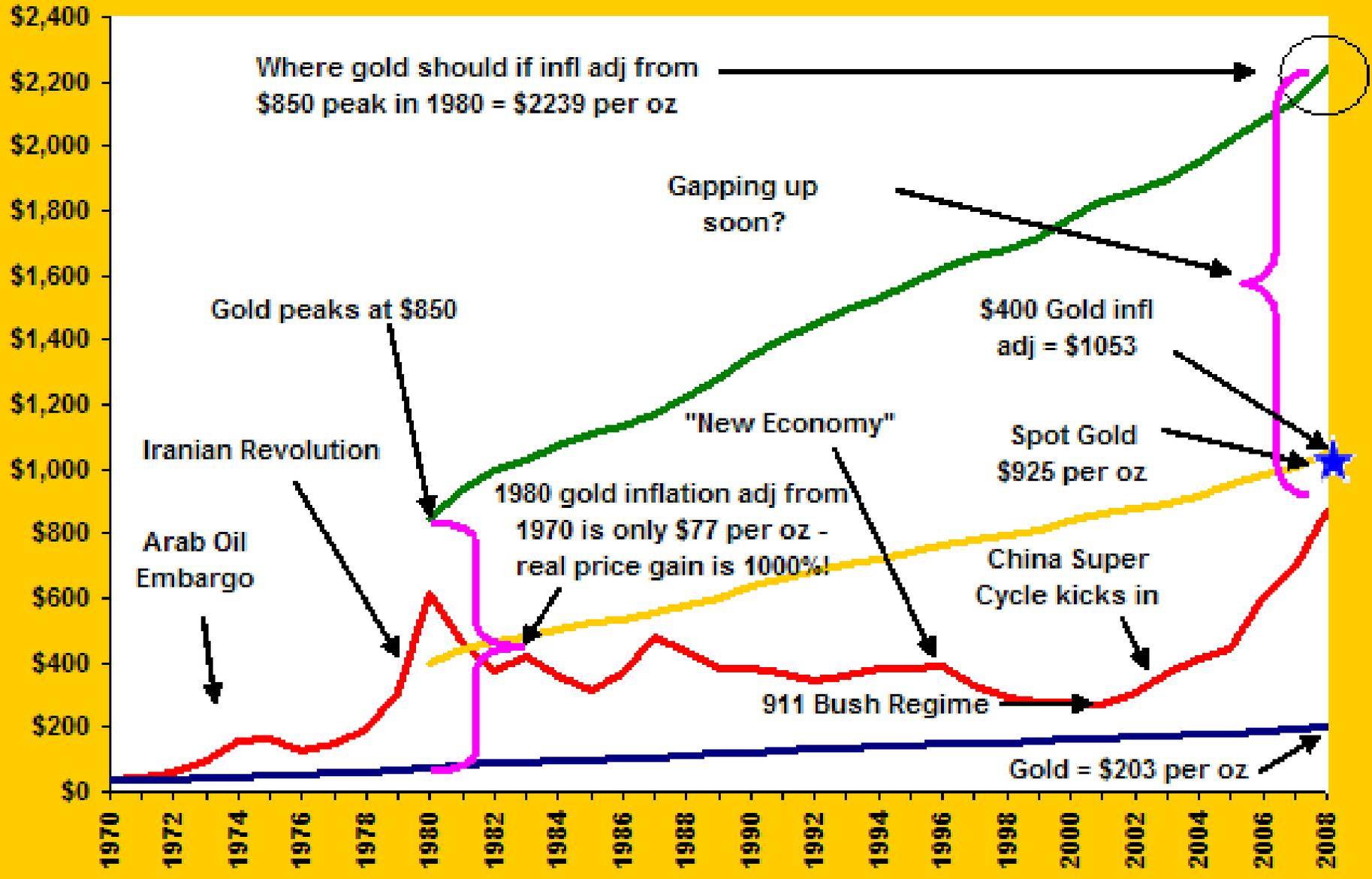
# Four Bad Bear Markets

Dow in 1929-1932; S&P 500 in 1973-74, 2000-02, 2007-09



# 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



Where gold should be if infl adj from \$850 peak in 1980 = \$2239 per oz

Gapping up soon?

Gold peaks at \$850

Iranian Revolution

Arab Oil Embargo

1980 gold inflation adj from 1970 is only \$77 per oz - real price gain is 1000%!

"New Economy"

\$400 Gold infl adj = \$1053

Spot Gold \$925 per oz

China Super Cycle kicks in

911 Bush Regime

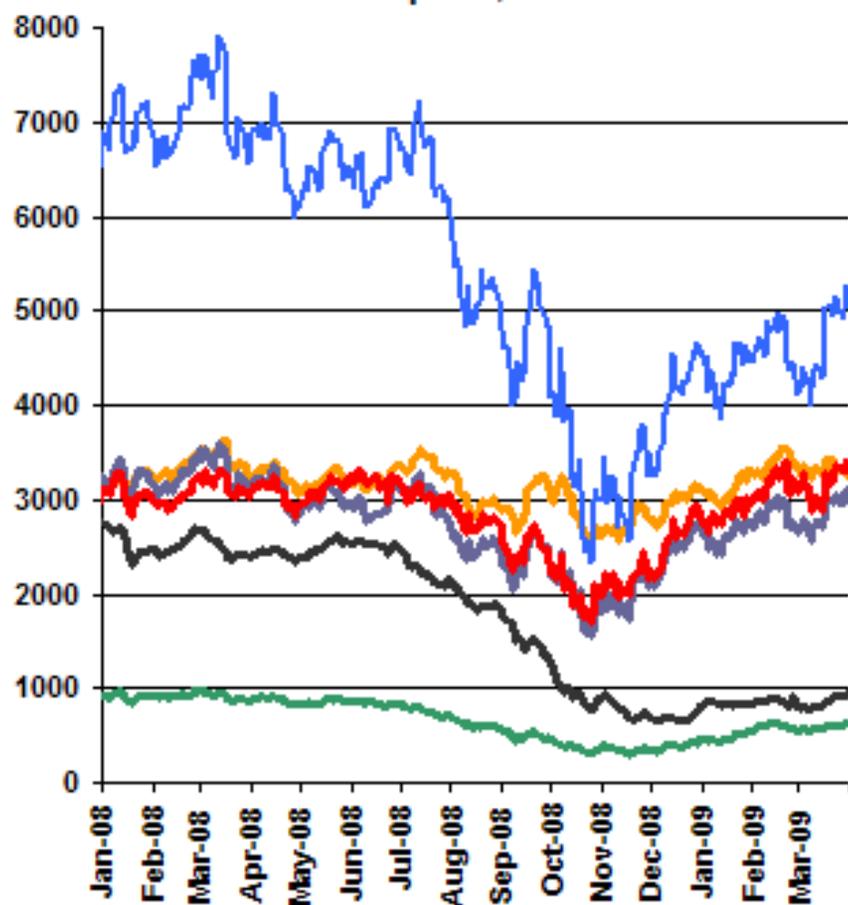
Gold = \$203 per oz

# Different Gold Scenarios

- **Fiat Currency Collapse:** out of control across the board “quantitative easing” leads to hyper-inflation – gold rises but so does the cost of everything else – no benefits for gold companies, equity markets likely cease to operate, “clumpiness” of gold prevents it from serving as money.
- **US Dollar Collapse:** a severe decline of US dollar with corresponding rise in gold price leads to the loss of world’s reserve currency status with no obvious near to medium term successor, resulting in serious currency volatility, although intrinsic cost structure of building and operating a gold mine remains unchanged, establishing the economics of a mine through a feasibility study becomes problematic – what “numbers” would one use? During the US \$ breakdown gold would break out, and gold equities would rise sharply during the initial stages but succumb to heavy selling from insiders and investors who understand that there is no underlying real profit window to exploit.
- **Global Depression:** cost deflation could create a profit window for gold mines as it did during the thirties, but then the price of gold was fixed in US dollars, a gold standard that fixes the price of gold will not return because the dynamics of gold extraction with modern technology are too complex to ensure a stable and predictable model for new gold supply. When slave labour and environmental abuse are deployed to produce gold, then you can no longer declare that gold is nobody’s liability. If we get stuck in a long depression, gold will probably decline in price, and there will be a subdued appetite for speculative securities.
- **World in Transition:** in this scenario we see the United States pulling its economy out of the recession, and in doing so revitalizes the global economy, but at the price of a long term diminishment of the dominant role the US economy and its currency have enjoyed since WWII, until a global currency is established there will be a growing inclination to own gold at all levels, from individuals to sovereign wealth funds, which drives up the real price of gold in all currencies. This is the scenario most lucrative to the gold producers, because the revenue side of the equation expands at a greater rate than the cost side of the equation. The same applies to the raw materials sector, which will see demand once again outstrip supply as global economic growth gets back on track.

### KBFO Gold Producer Indices

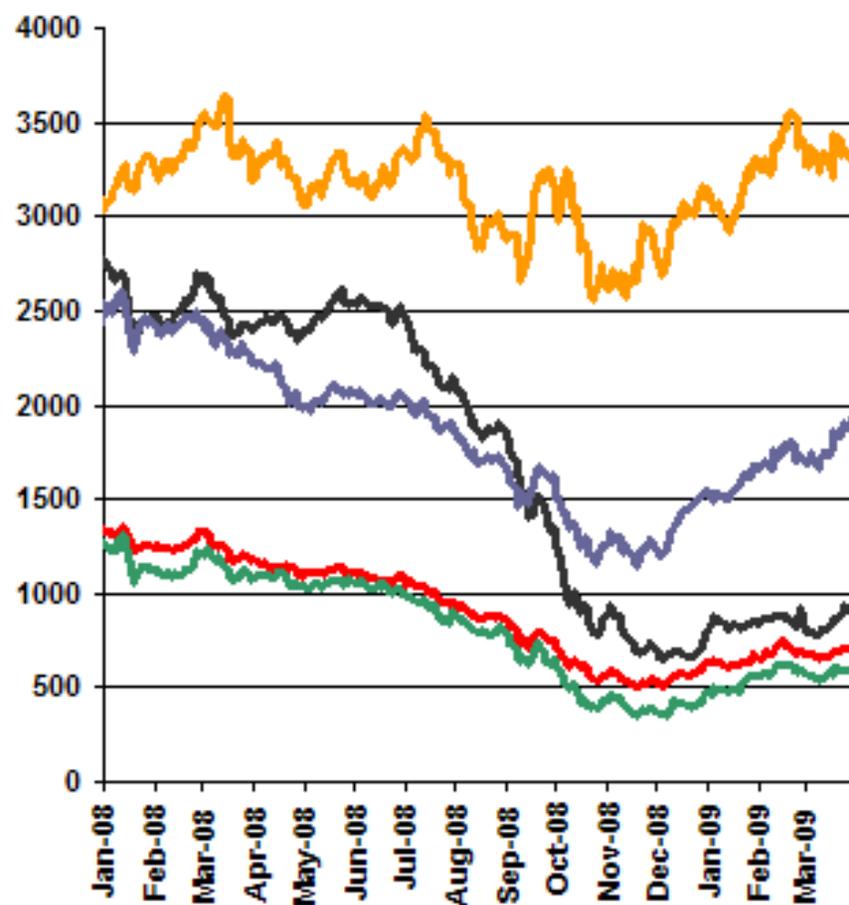
April 2, 2009



- Gold \$278/oz normalized to 1000 on Jan 2, 2002
- TSXV Index 1043 normalized to 1000 on Jan 2, 2002
- KBFO Major Gold Producer Index
- KBFO Intermediate Gold Producer Index
- KBFO Junior Gold Producer Index
- HUI Gold Bugs Index normalized to 1000 on Jan 2, 2002

### KBFO Gold Non-Producer Indices

April 2, 2009

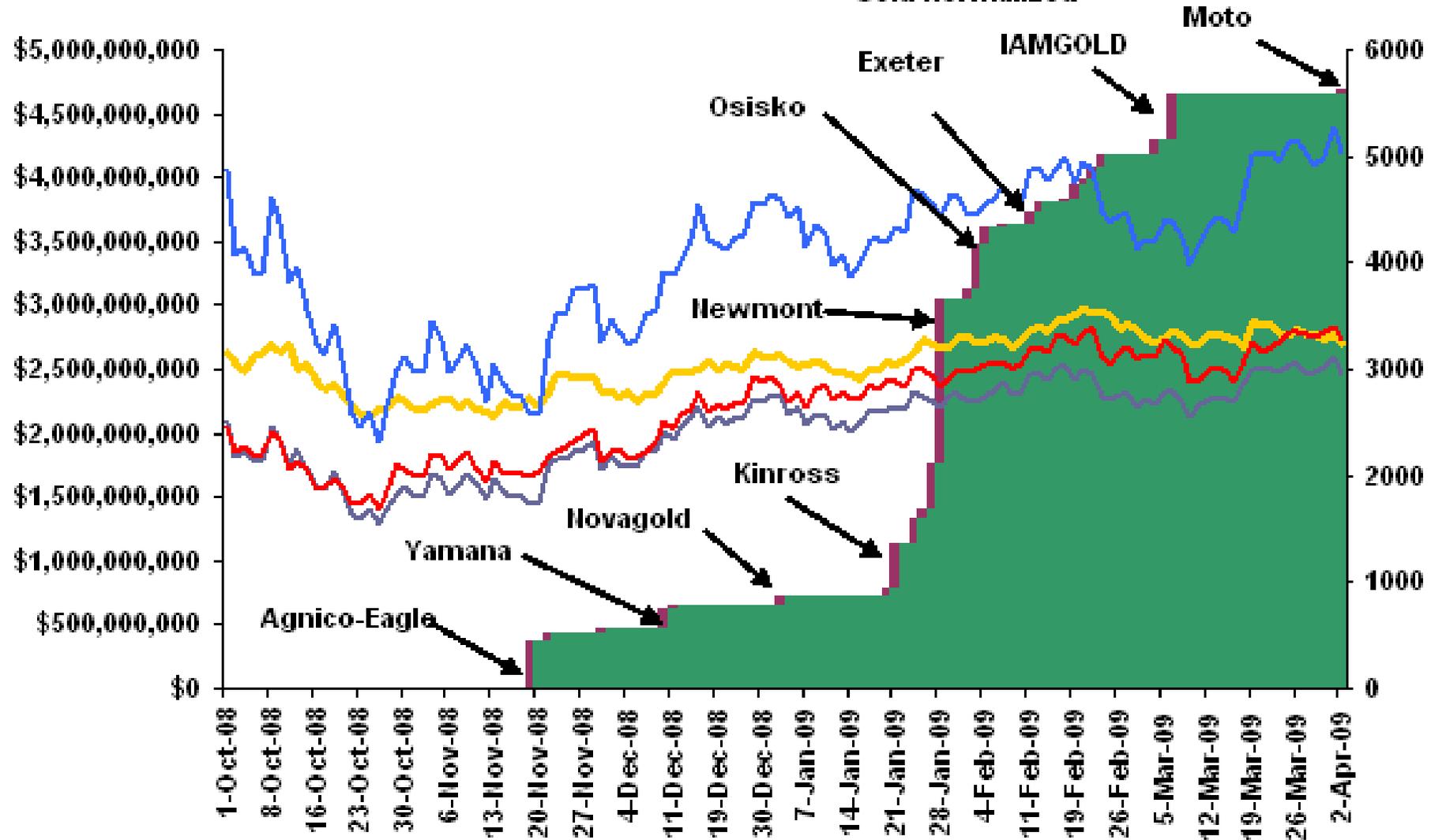


- Gold \$278/oz normalized to 1000 on Jan 2, 2002
- TSXV Index 1043 normalized to 1000 on Jan 2, 2002
- KBFO Major Non-Producer Gold Index
- KBFO Intermediate Non-Producer Gold Index
- KBFO Junior Non-Producer Gold Index

# Gold Company Equity Financing Activity

\$4.7 billion raised since Oct 1, 2008  
as of April 3, 2009

- New Funding
- Total Prior Funding
- HUI Gold Bug Index normalized
- KBFO Intermediate Gold Producer Index
- KBFO Major Gold Producer Index
- Gold Normalized



# Consumption & Global Trade hit the Wall

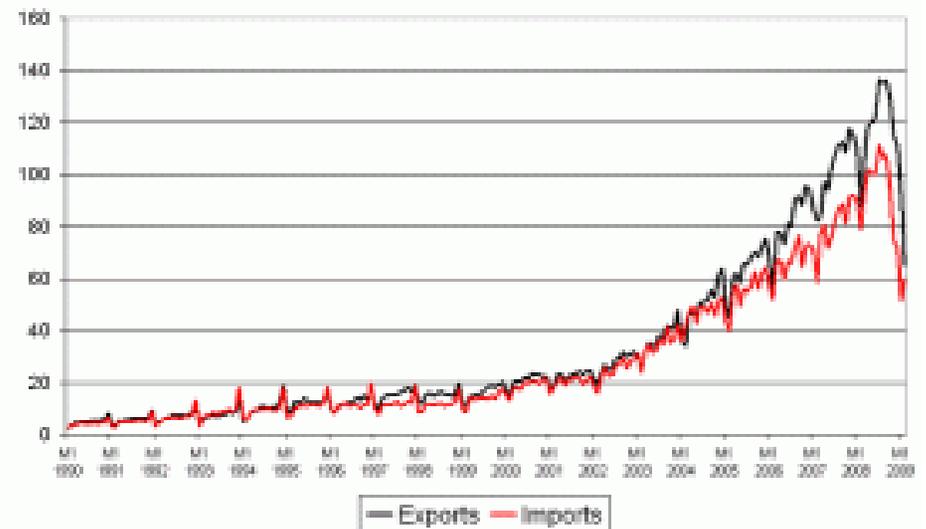
Loaded Inbound and Outbound Containers, Port of Los Angeles



U.S. Trade, Exports and Imports, Billions Dollars per Month



China: monthly exports and imports, \$ billion

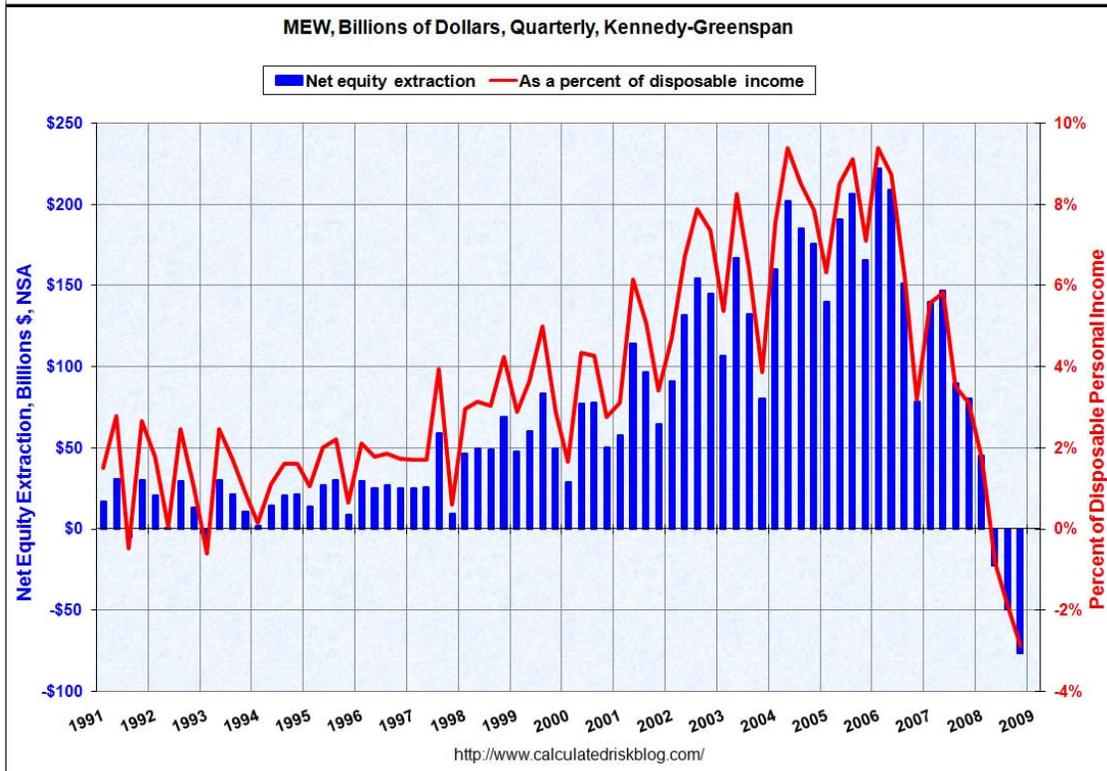
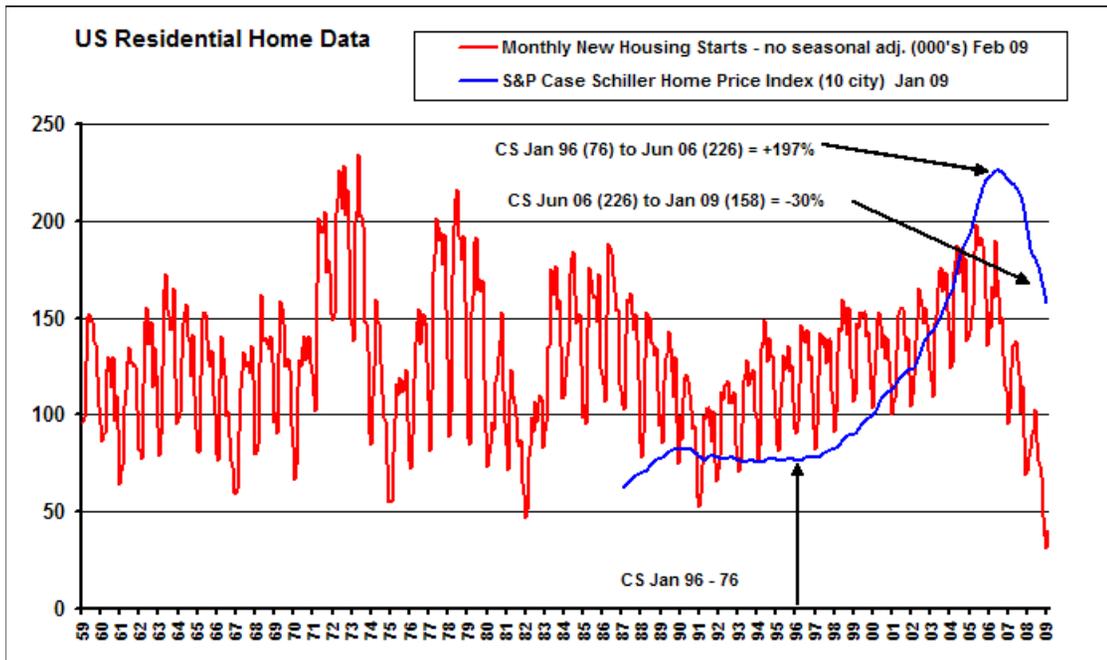


# The China Price

- Cheap Labor – urbanization of rural China and the dismantlement of state run enterprises
- No Health & Safety for Workers
- No environmental emission controls
- No Unions to secure medical or pension benefits
- US Dollar Peg: the devil's bargain of maintaining an undervalued yuan by bankrolling the US trade deficit through the accumulation of US treasury debt
- Piracy and Counterfeiting
- FDI: foreign direct investment and technology transfer

**Made in China and Packed with  
Pride in America**





**A combination  
Credit-Real Estate  
Bubble that fueled  
consumption and  
bootstrapped  
China's export  
growth has  
popped.**

# Real Estate Bubble Collapse



Securitized Mortgage Debt: Fruitcake done the Wall Street Way



Cockroach Bit?

Rat Turd?



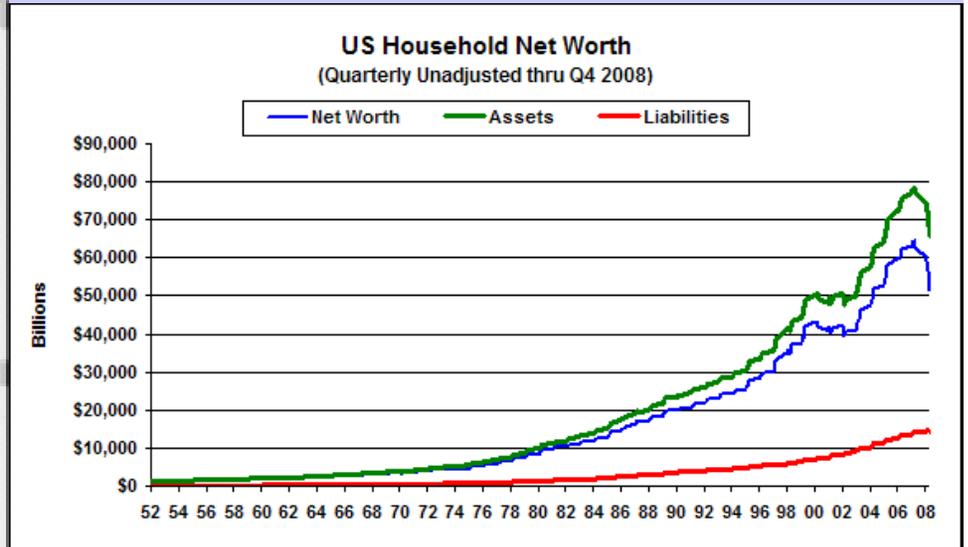
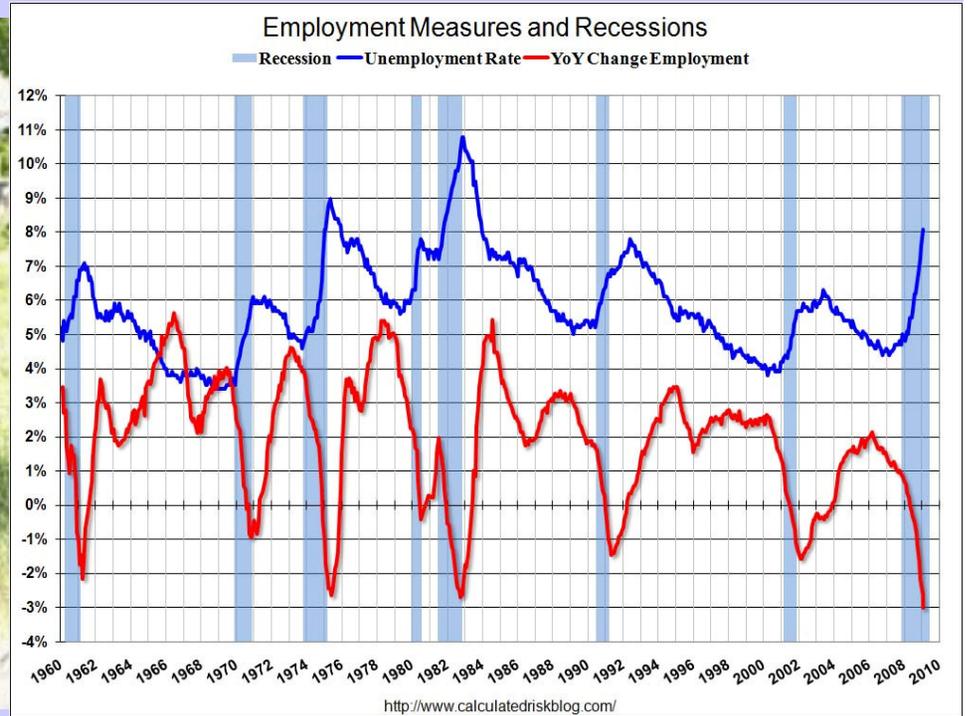
Rotten Nut?

A Nasty Bitter Thing?

Moldy Raisin?

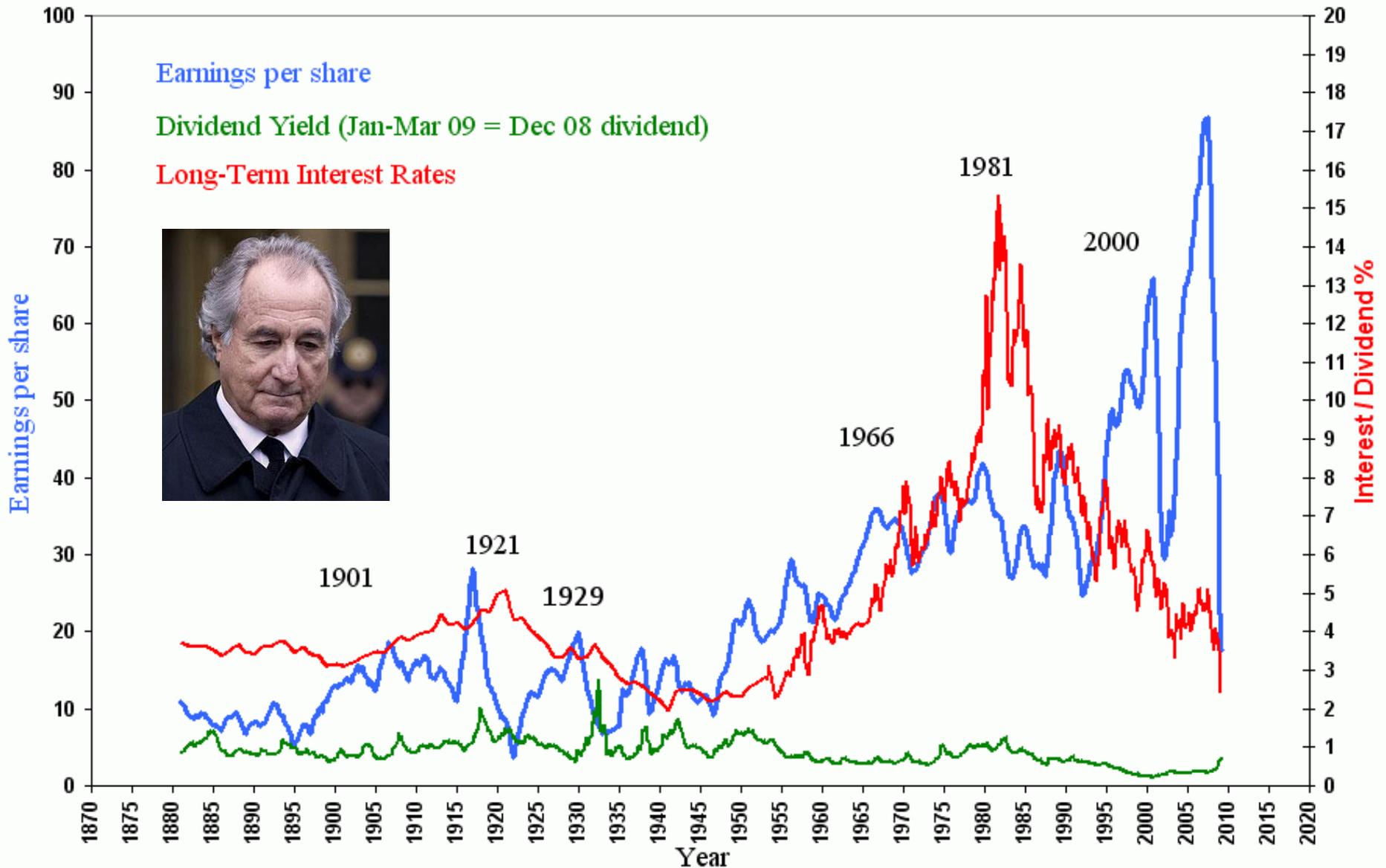


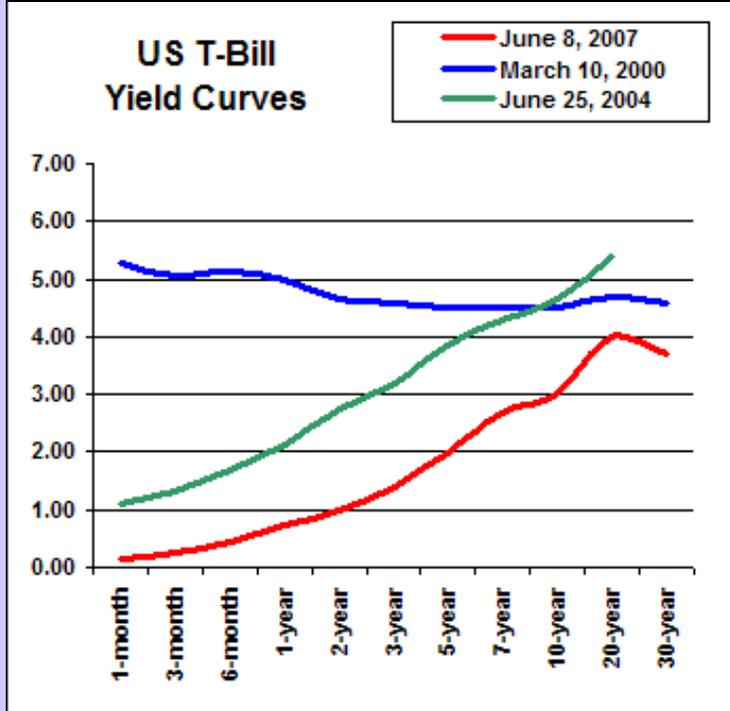
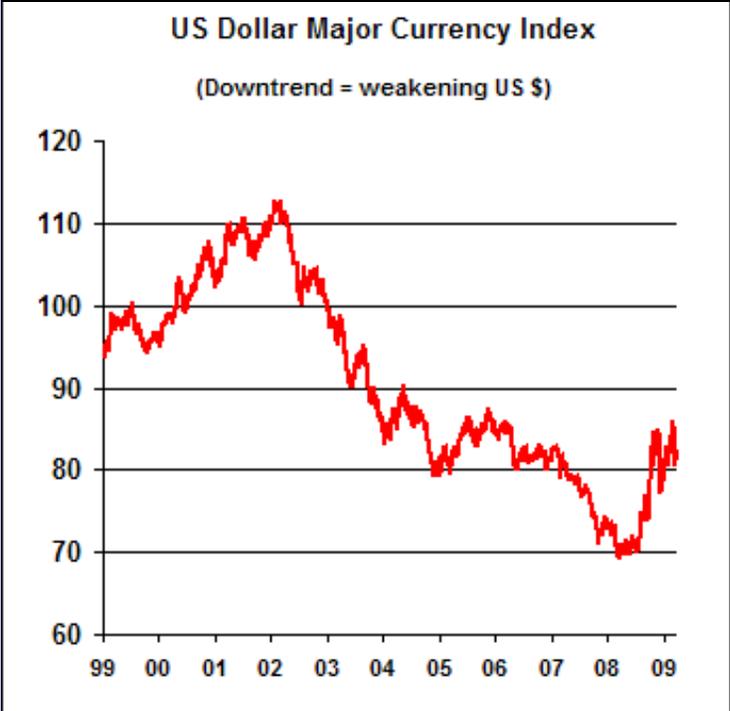
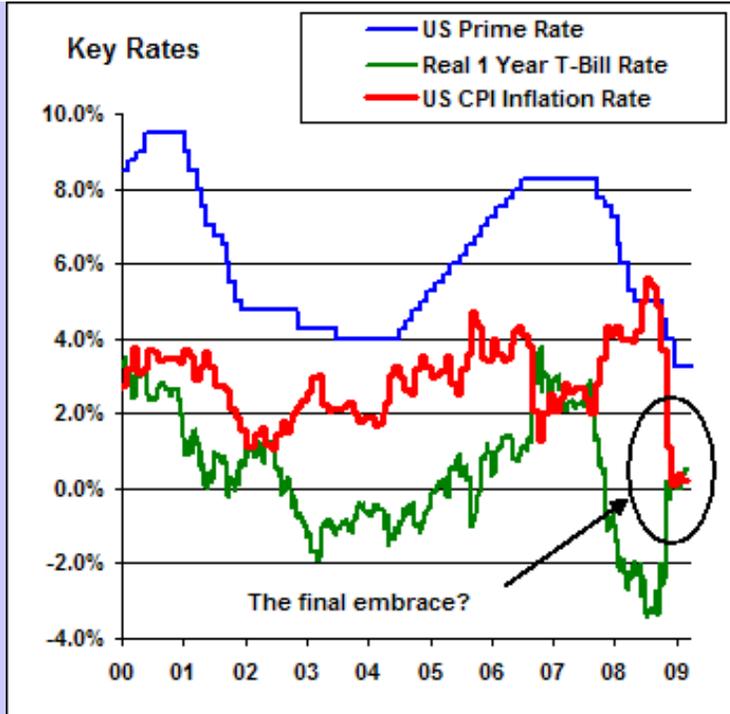
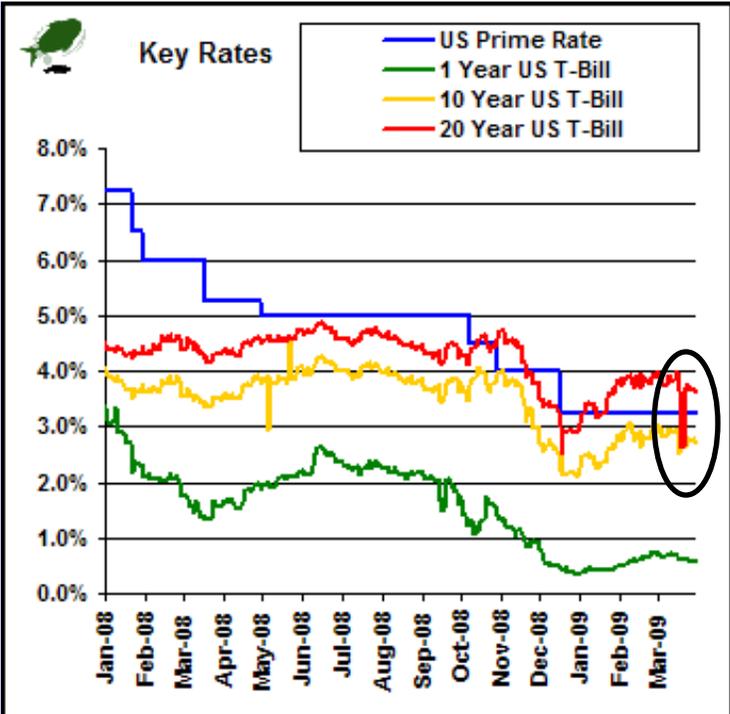
# Why is Santino stockpiling stones?

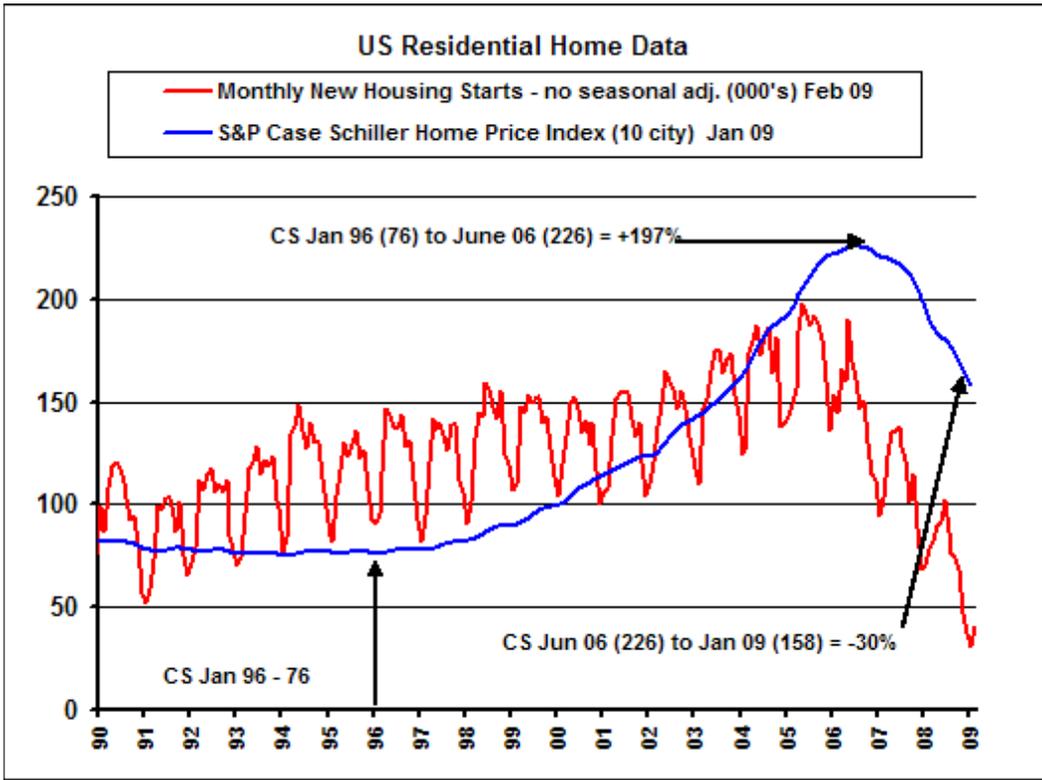


# Retiring Boomer Generation Needs Cash Flow

S&P 500 (Real) - Source: Robert Schiller



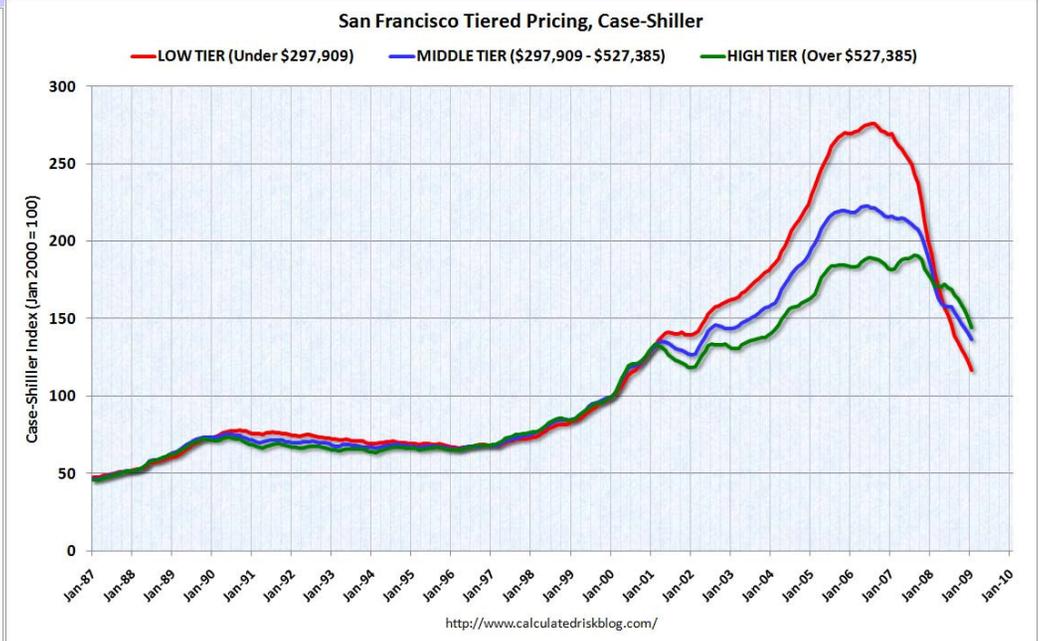
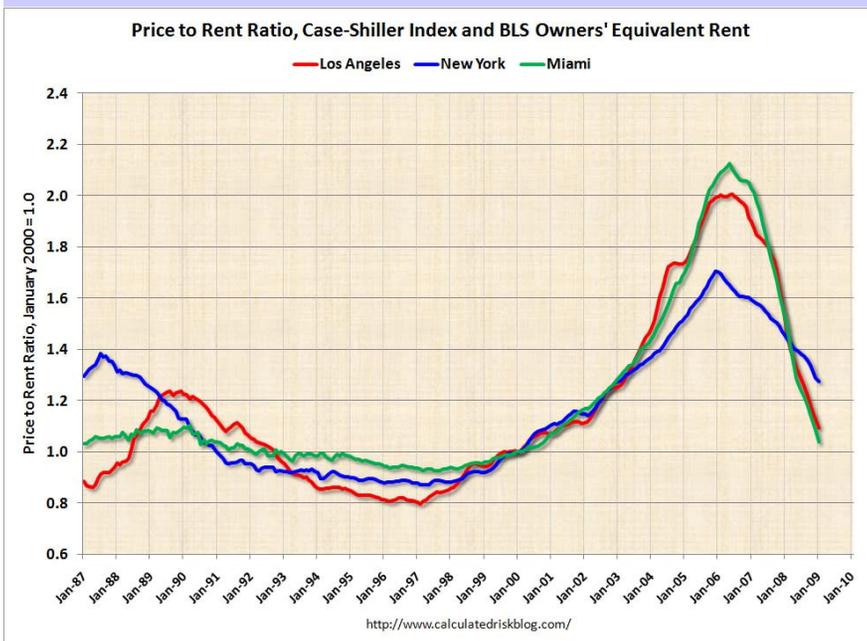




## 2 key questions

Has real estate  
bottomed?

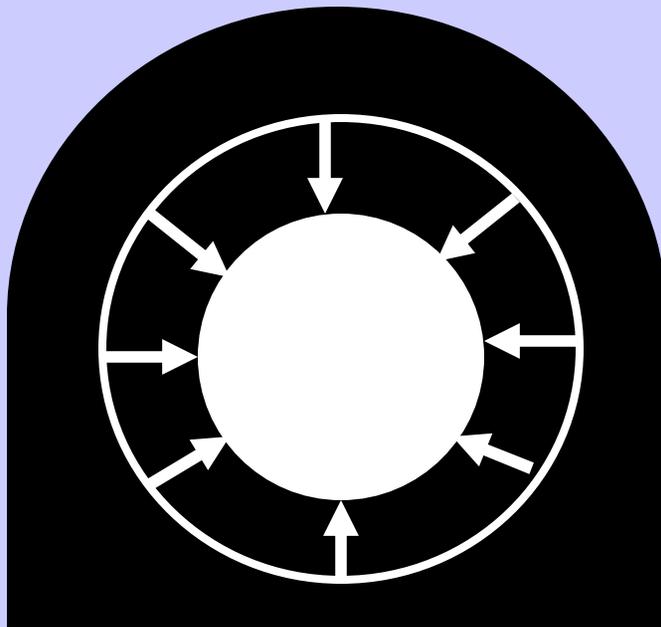
What will Americans  
do that is of value to  
the rest of the world?



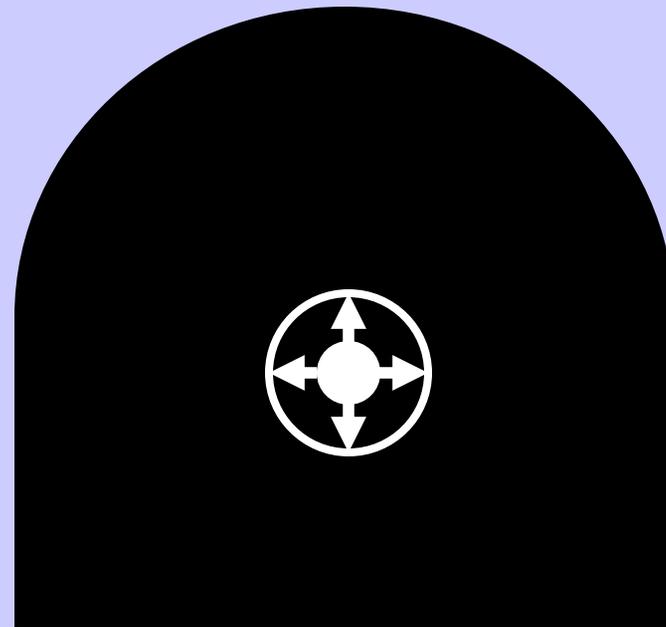
# A Matter of Perspective

Is your standard of living shrinking or growing?

Is your footprint growing or shrinking?



**1 Billion OECD**

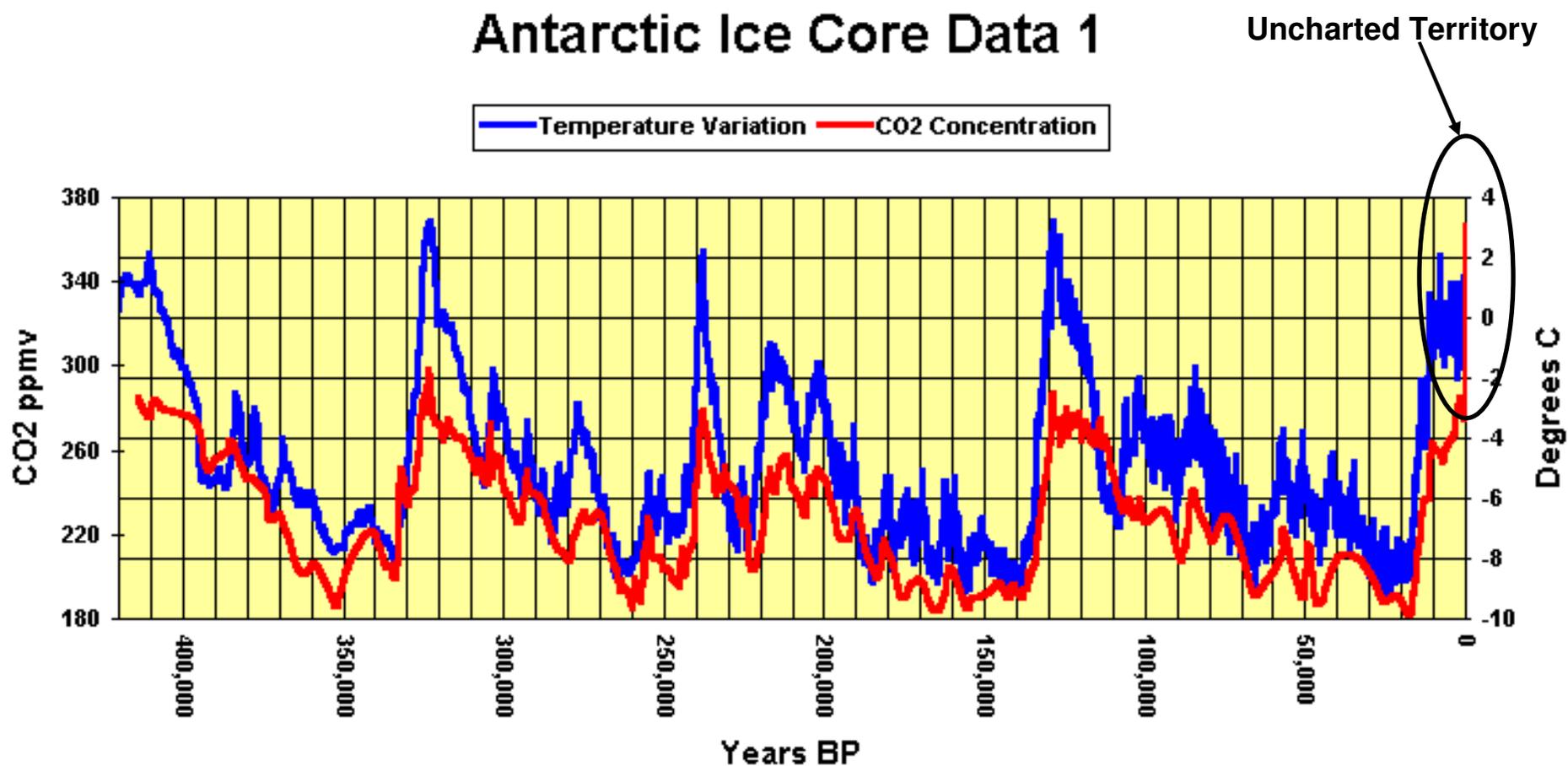


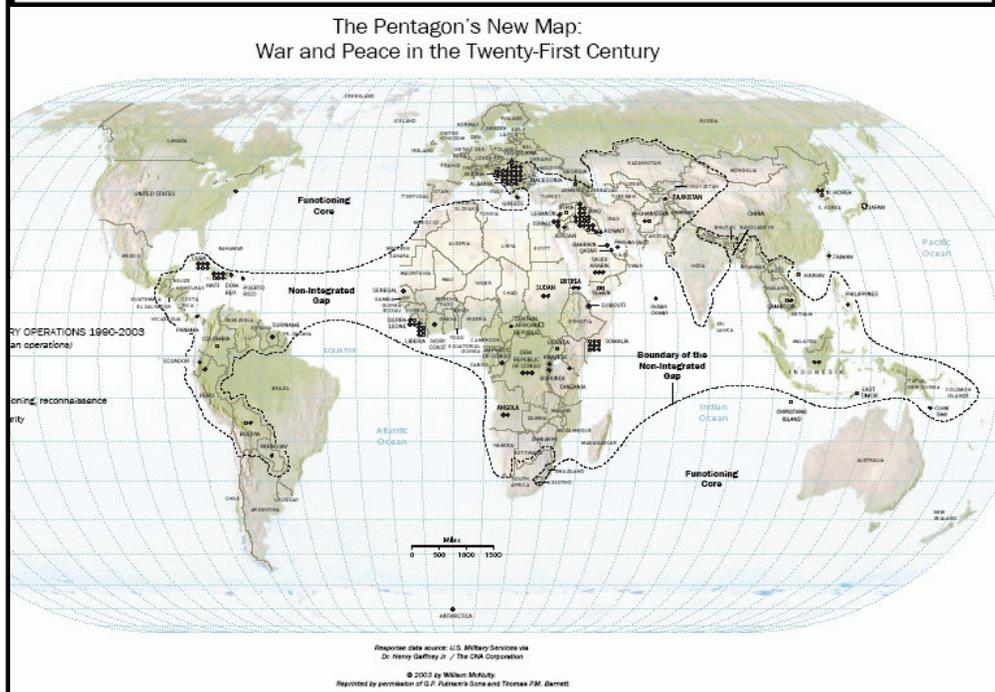
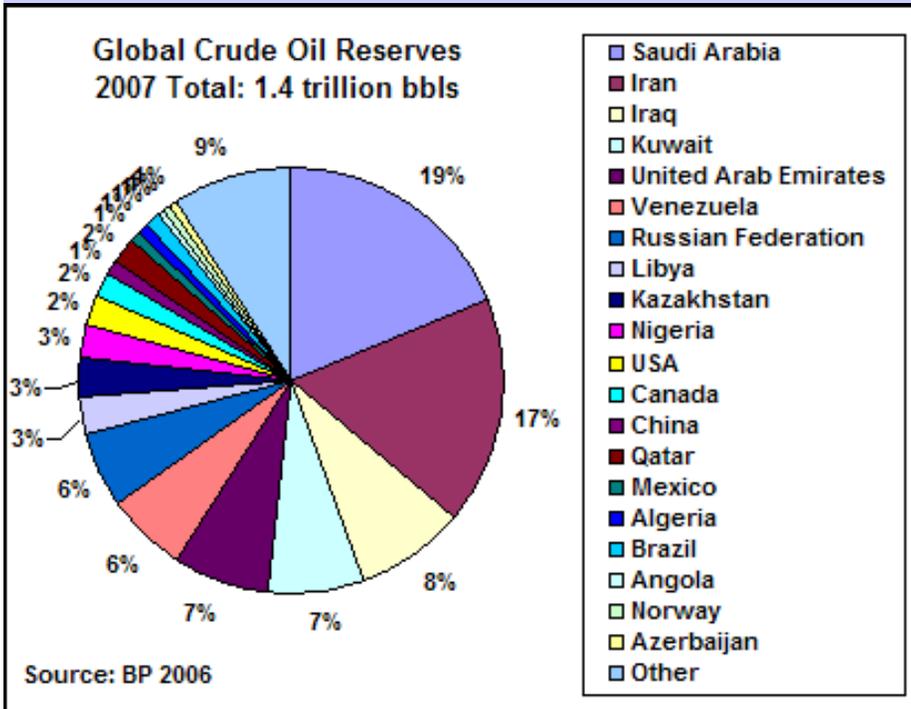
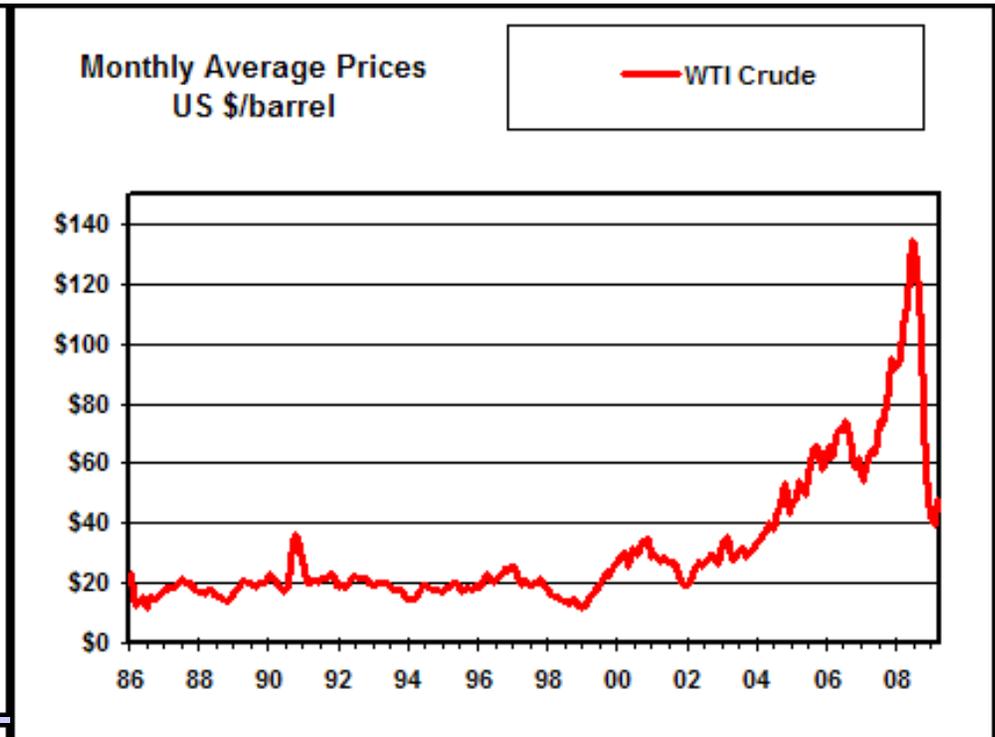
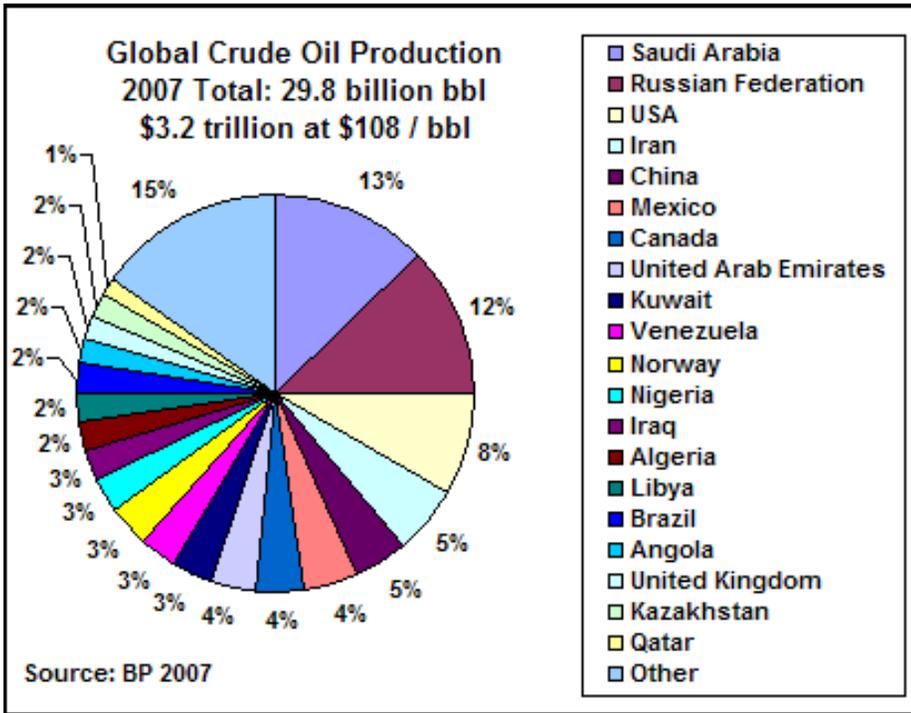
**3 Billion BRIC**

# CO2 Loading of the Atmosphere

- Global Warming
- Sunspot Cycle
- Climate Change
- Carbon Sequestration
- Ocean acidification
- Reforestation

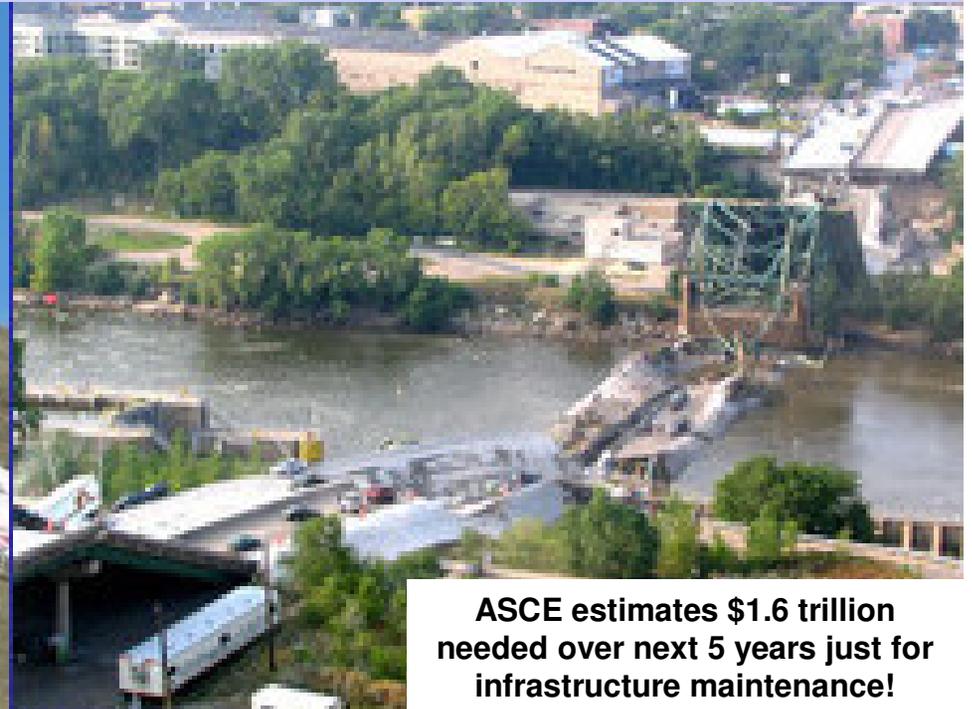
## Antarctic Ice Core Data 1





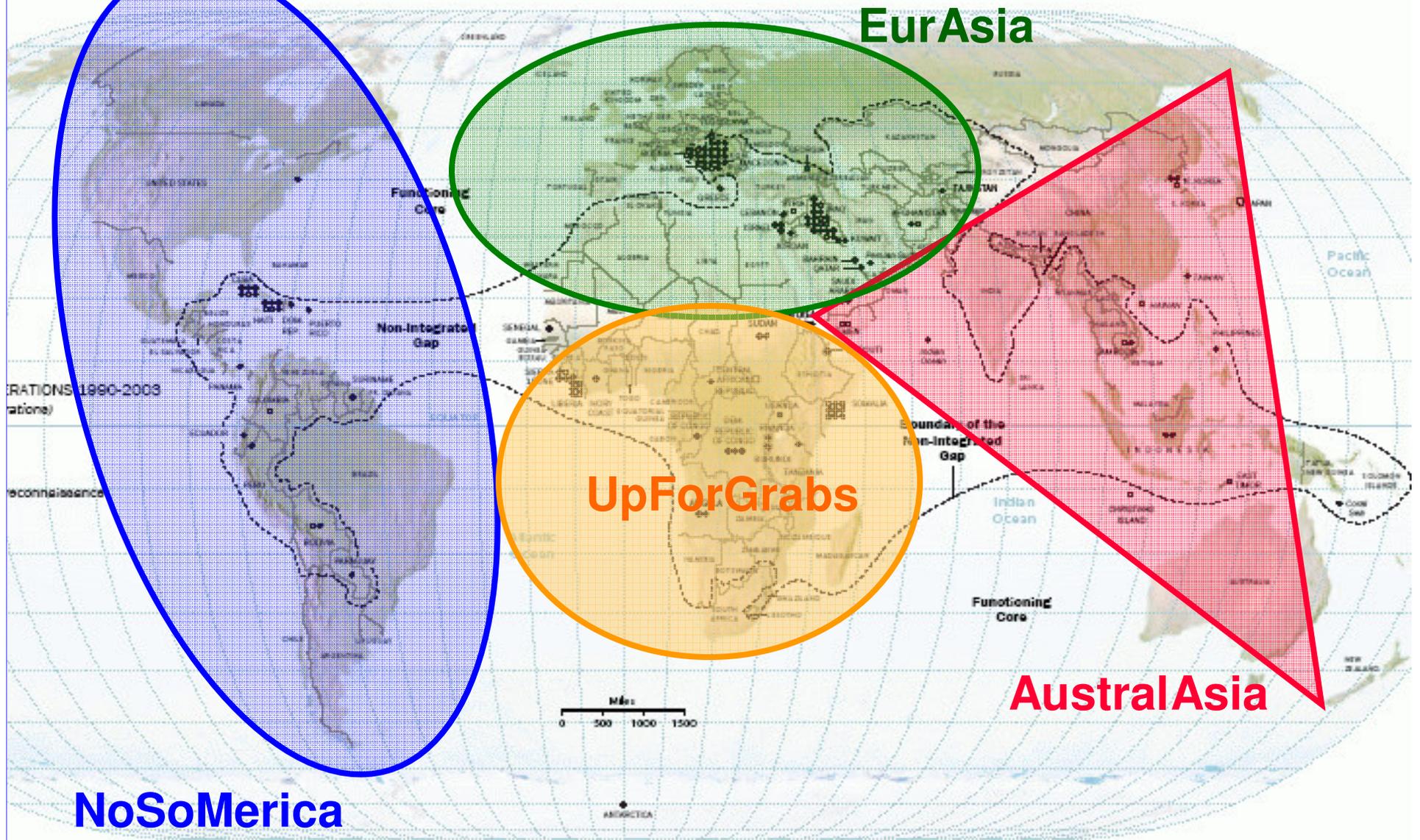
# Transformative Infrastructure Renewal

- Watch footprint consciousness driven by climate change and the environmental impact of the Rise of Asia change the way people consume, helped along by the end of consumer credit.
- Watch for a capital spending boom based on “transformative infrastructure renewal” in the US that keeps Americans busy while China transitions to a self-sustaining economy
- Watch for manufacturing to return to the OECD in a highly automated form
- Watch raw material and energy prices never go back to the bear market levels of 6 years ago
- Watch for a US foreign policy that reflects the end of American hegemony
- Watch the definition of GDP lose its importance as the OECD focus shifts from boosting quantity to boosting quality



**ASCE estimates \$1.6 trillion needed over next 5 years just for infrastructure maintenance!**

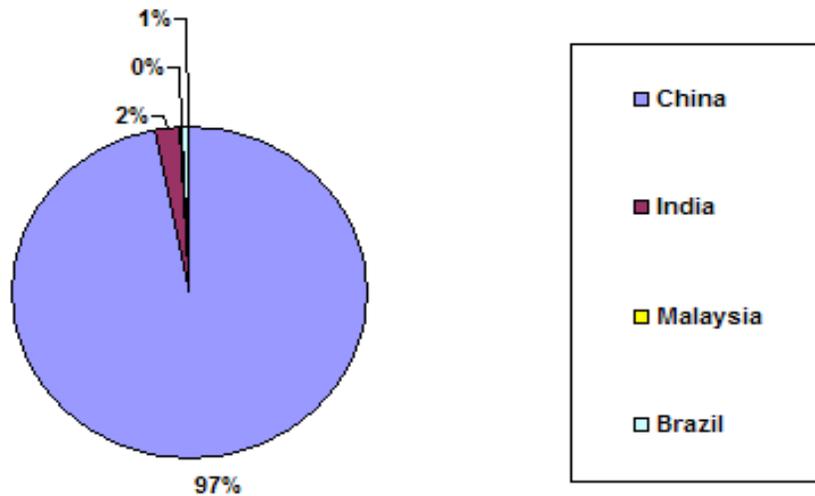
# The Pentagon's New Map: War and Peace in the Twenty-First Century



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

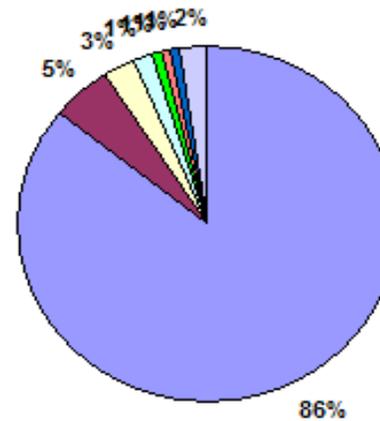
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**Global Rare Earth Oxide Production  
2007e Total: 273 million lbs**



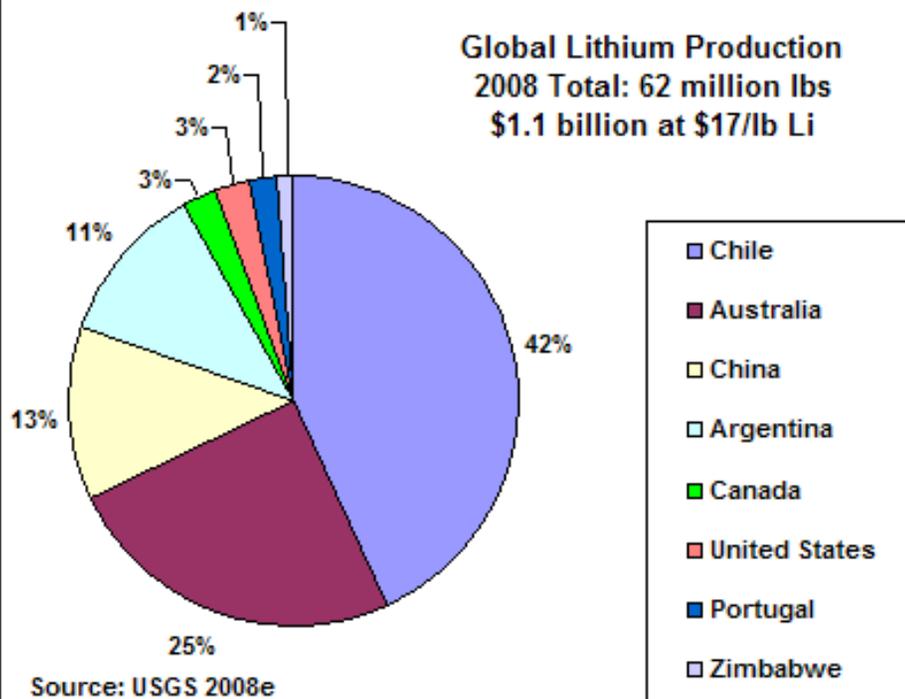
Source: USGS 2007

**Global Tungsten Production  
2007e Total: 197 million lbs  
\$3.3 billion at \$17 / lb**



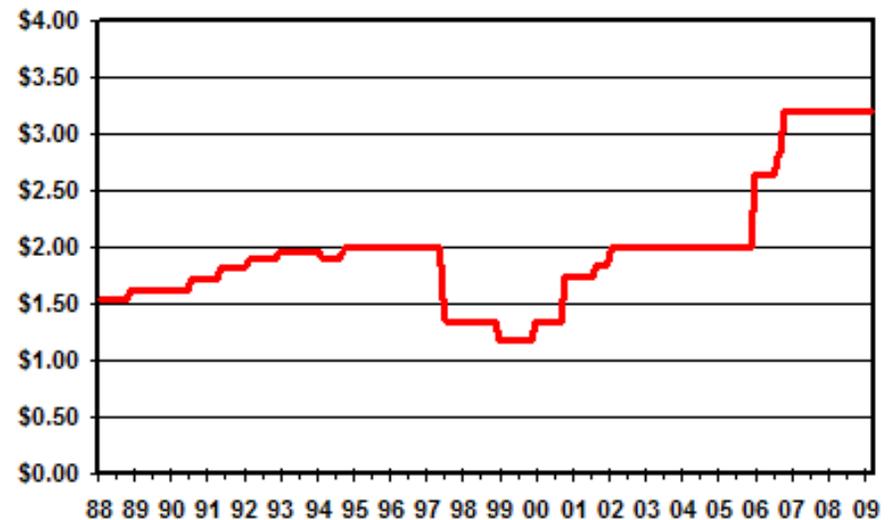
Source: USGS 2007

**Global Lithium Production  
2008 Total: 62 million lbs  
\$1.1 billion at \$17/lb Li**



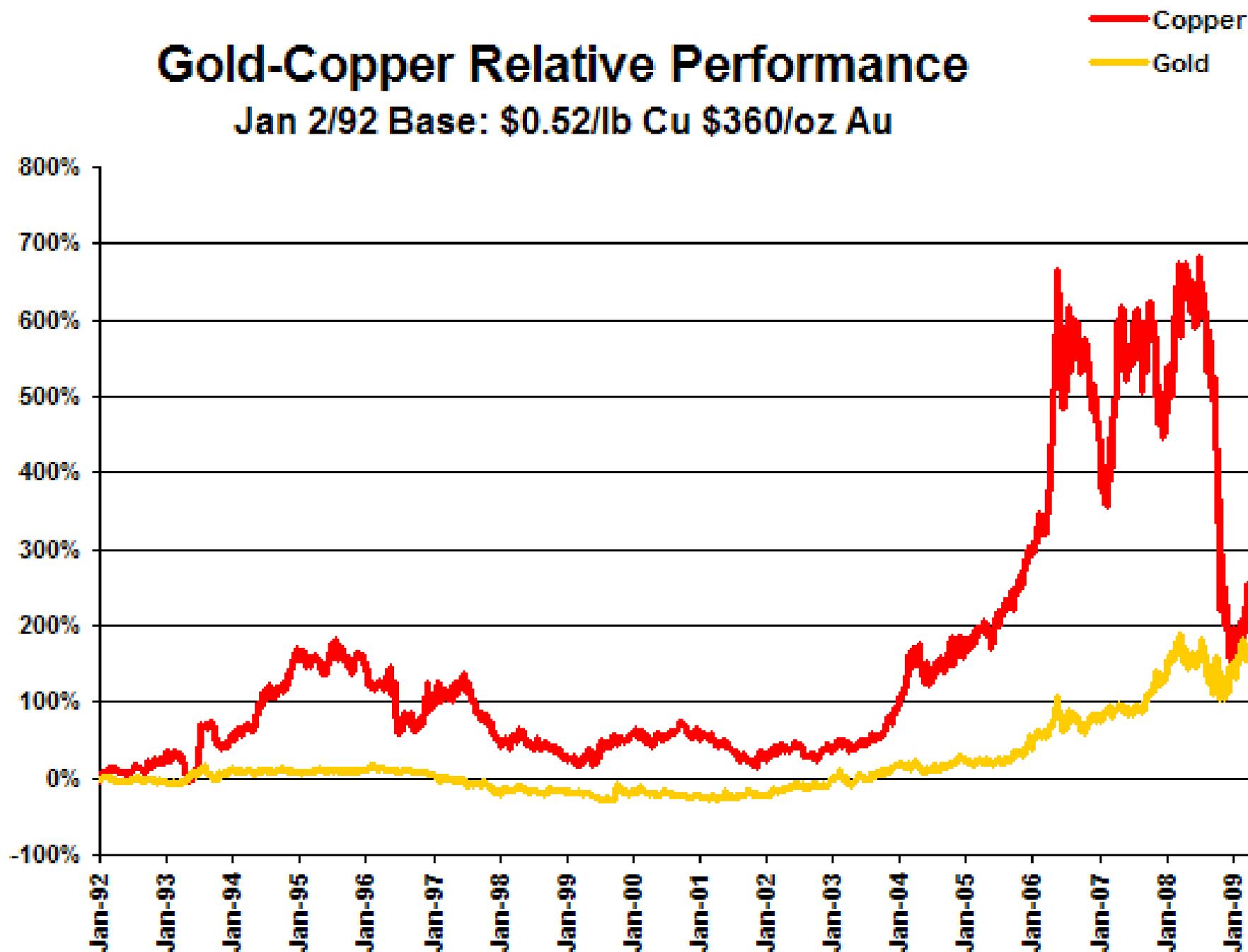
Source: USGS 2008e

**Monthly Average Prices  
US \$/lb Li<sub>2</sub>CO<sub>3</sub>  
(Multiply by 5.323 for \$/lb Li)**



# Gold-Copper Relative Performance

Jan 2/92 Base: \$0.52/lb Cu \$360/oz Au



# **Kaiser Services**

- **Kaiser Bottom-Fish Online Membership – US \$250 per quarter or \$800 per year**
- **One time one month KBFO Trial at \$100**

**[www.KaiserBottomfish.com](http://www.KaiserBottomfish.com)**

**Thank You**

**[www.KaiserBottomfish.com](http://www.KaiserBottomfish.com)**