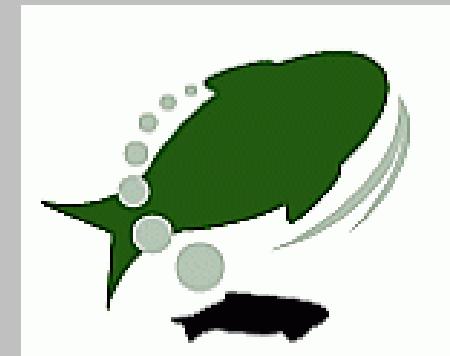


Cambridge Calgary Energy & Resource Investment Conference 2012

Calgary, Canada

March 30, 2012

Presented by John Kaiser



**Understanding why Gold & Copper are
no longer Counter-Cyclical**

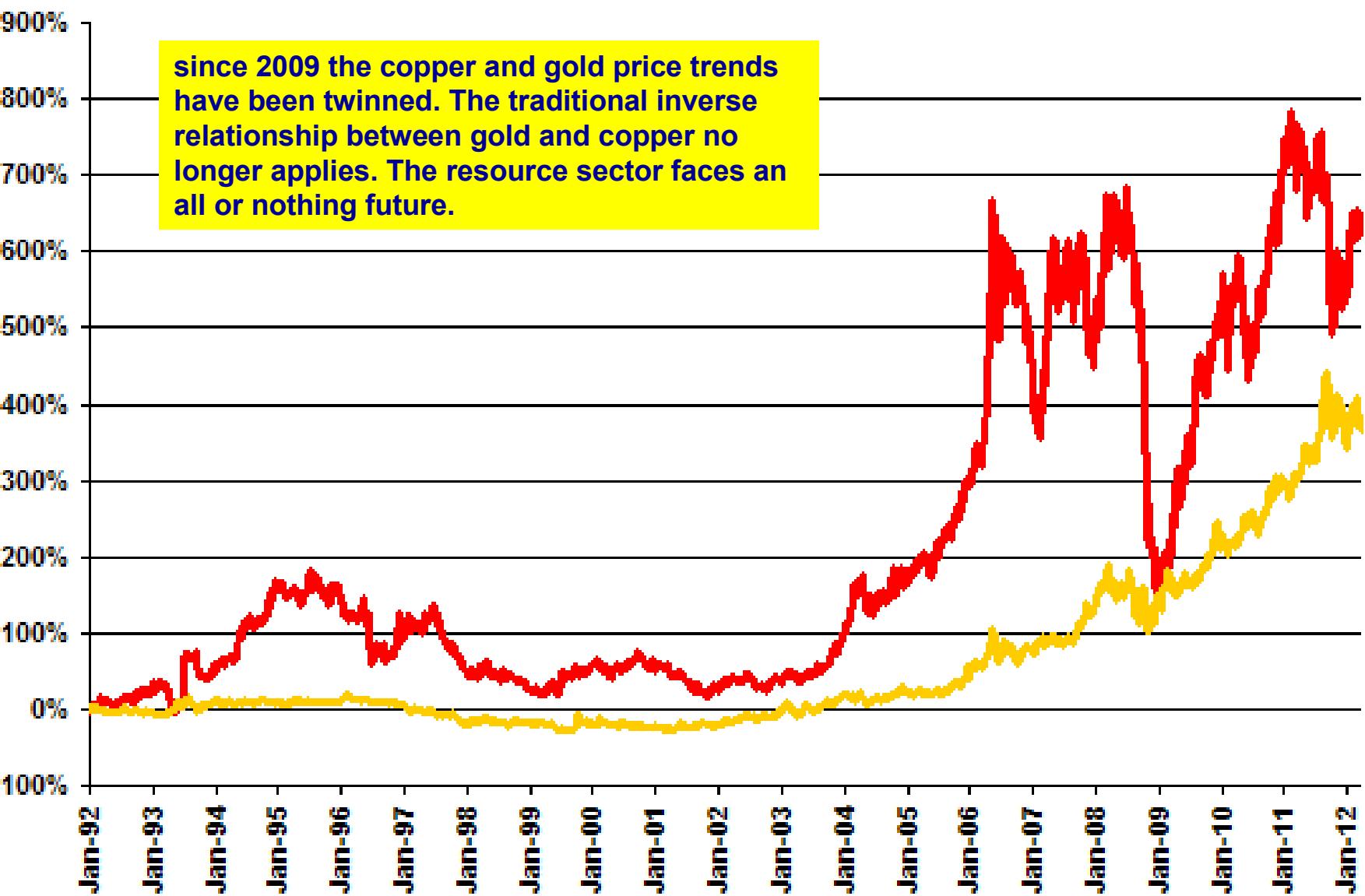
www.KaiserResearch.com

Gold-Copper Relative Performance

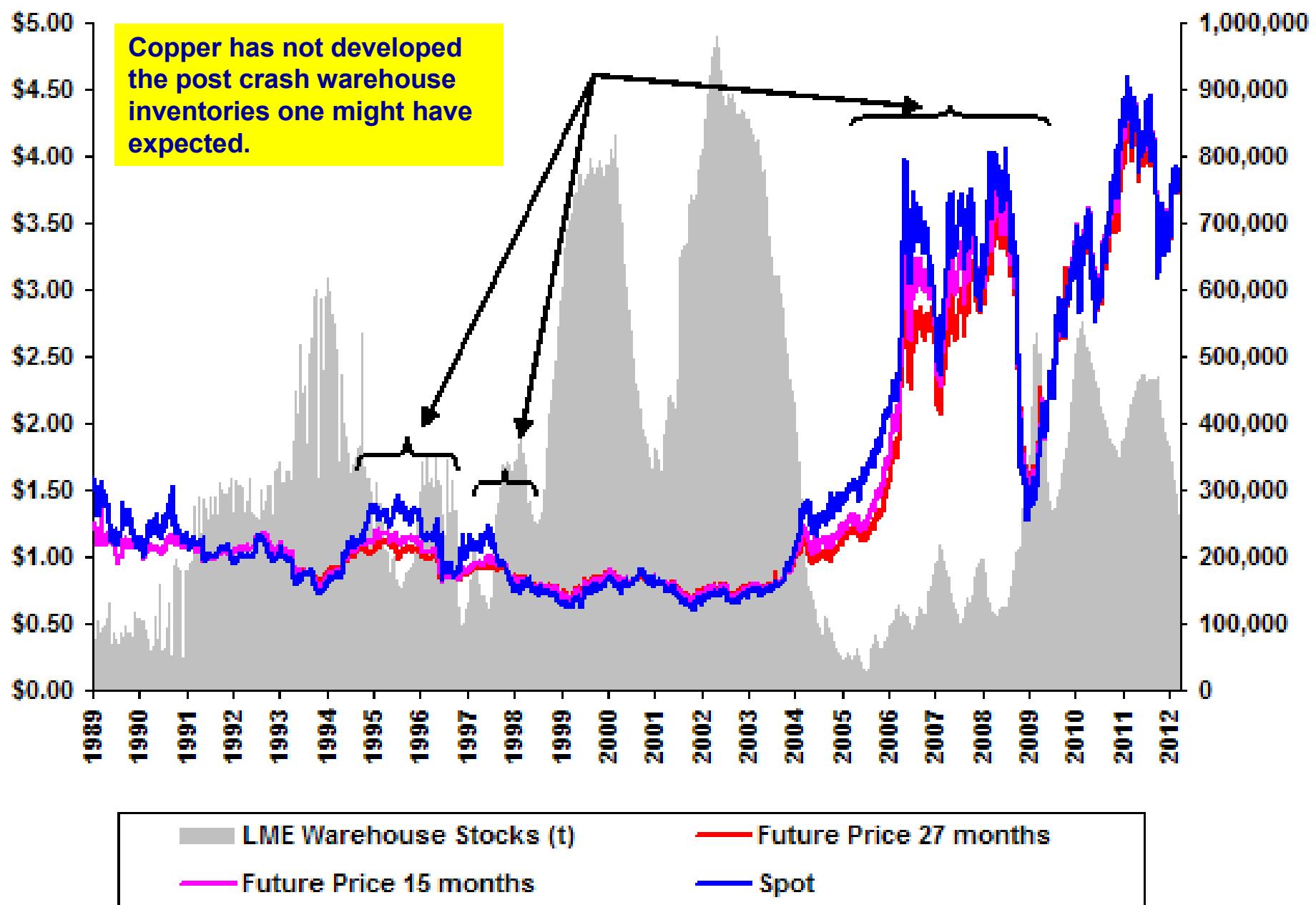
Jan 2/92 Base: \$0.52/lb Cu \$360/oz Au

Copper
Gold

since 2009 the copper and gold price trends have been twinned. The traditional inverse relationship between gold and copper no longer applies. The resource sector faces an all or nothing future.

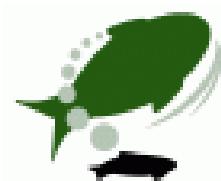
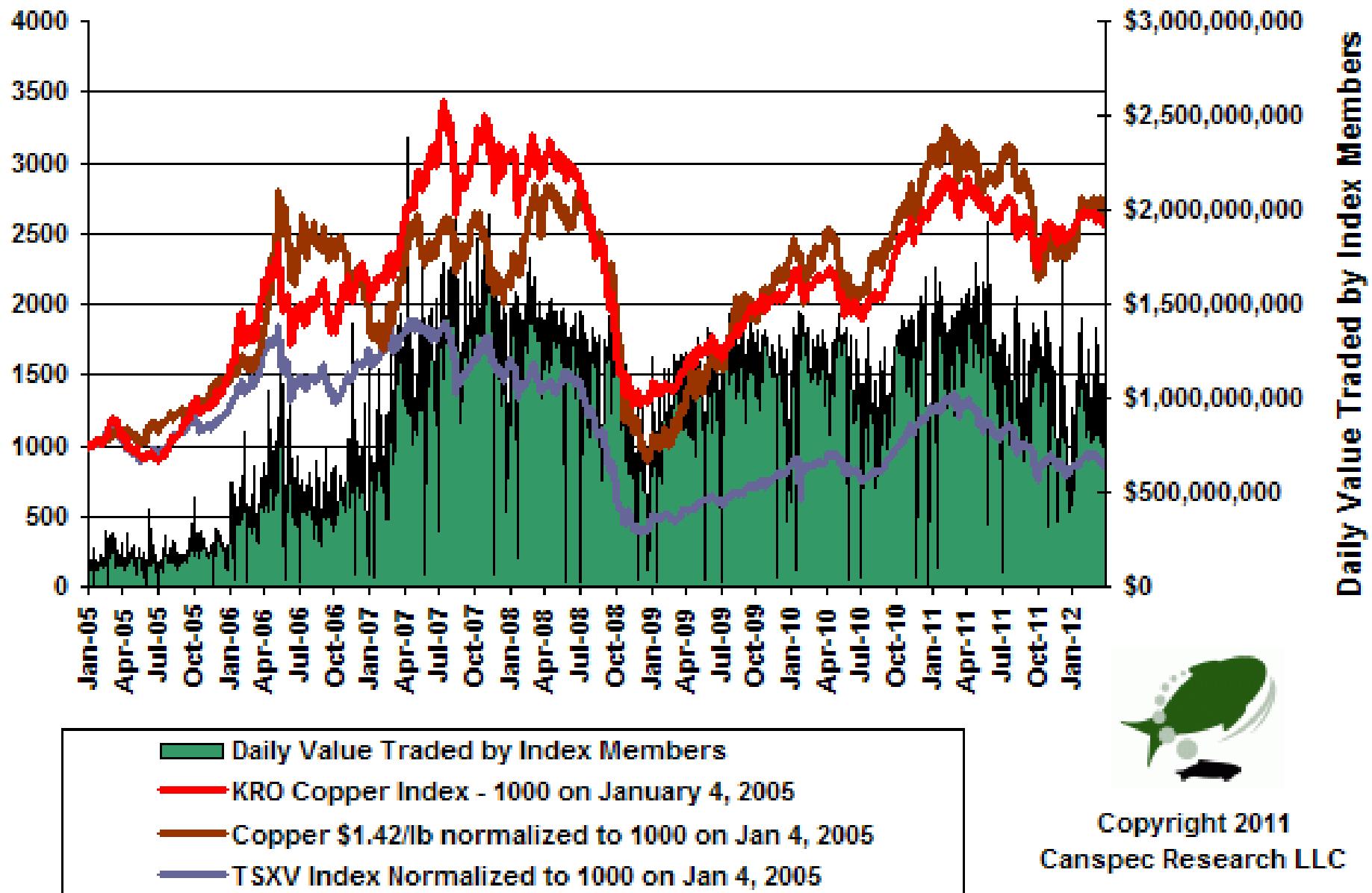


LME Copper \$/lb



KRO Copper Index

March 28, 2012

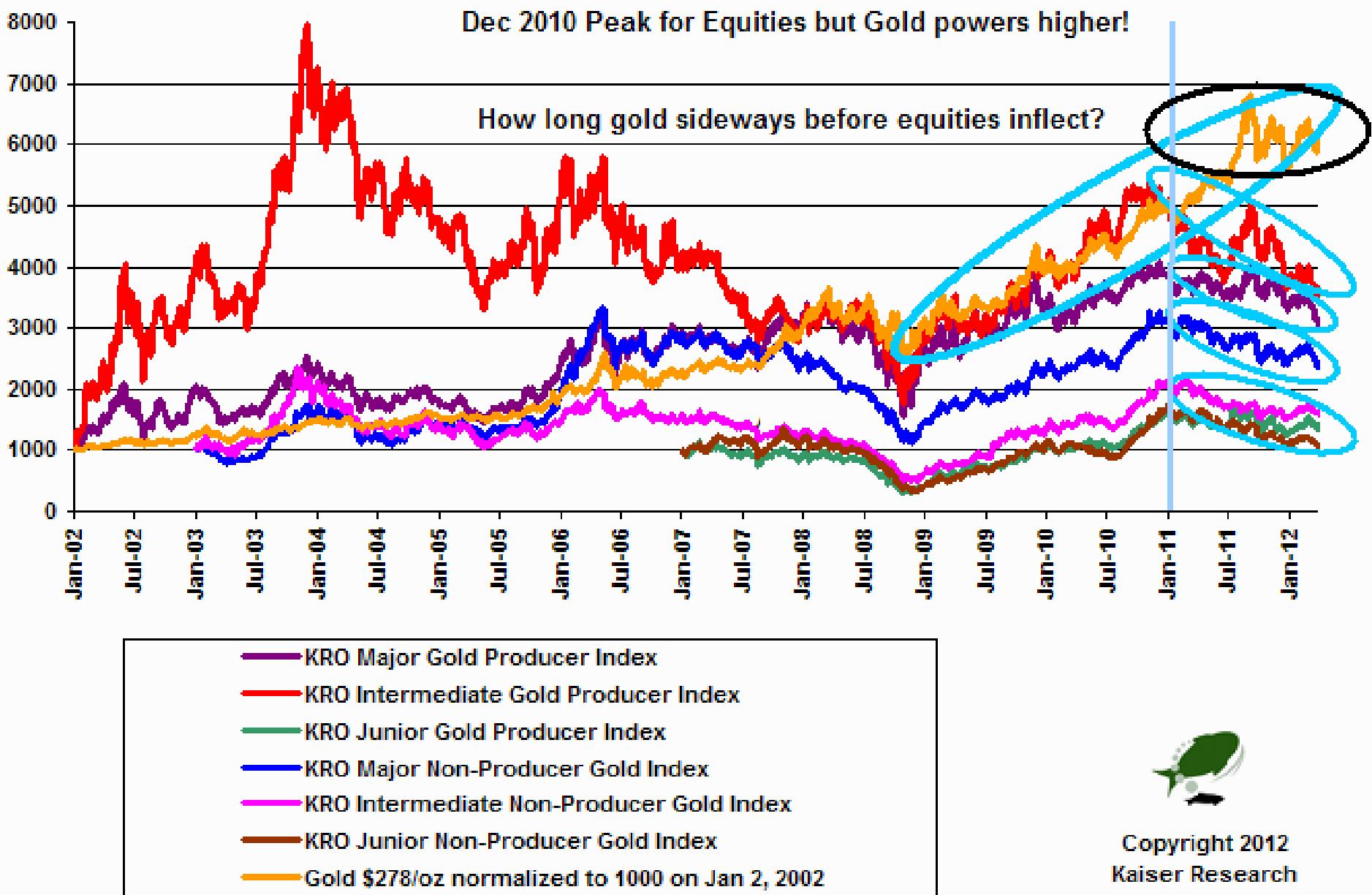


Copyright 2011
Canspec Research LLC

KRO Gold Indices

Why are gold producers & near producers in a downtrend since Dec 2010?

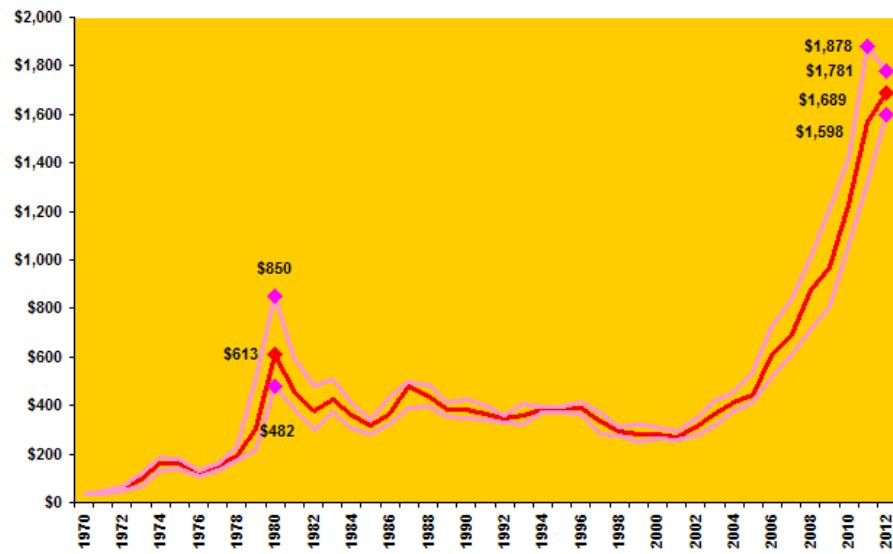
March 28, 2012



Annual Average Gold Price with High-Low Range

Average Gold Price

Yearly Hi-Lo Range



Source: CPM, IMF, World Bank

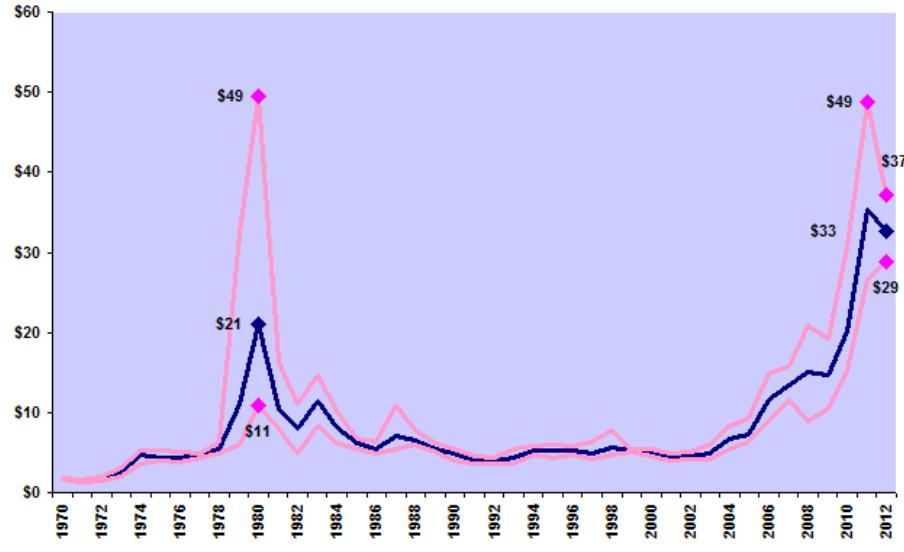
March 2012

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Annual Average Silver Price with High-Low Range

Average Silver Price

Yearly Hi-Lo Range

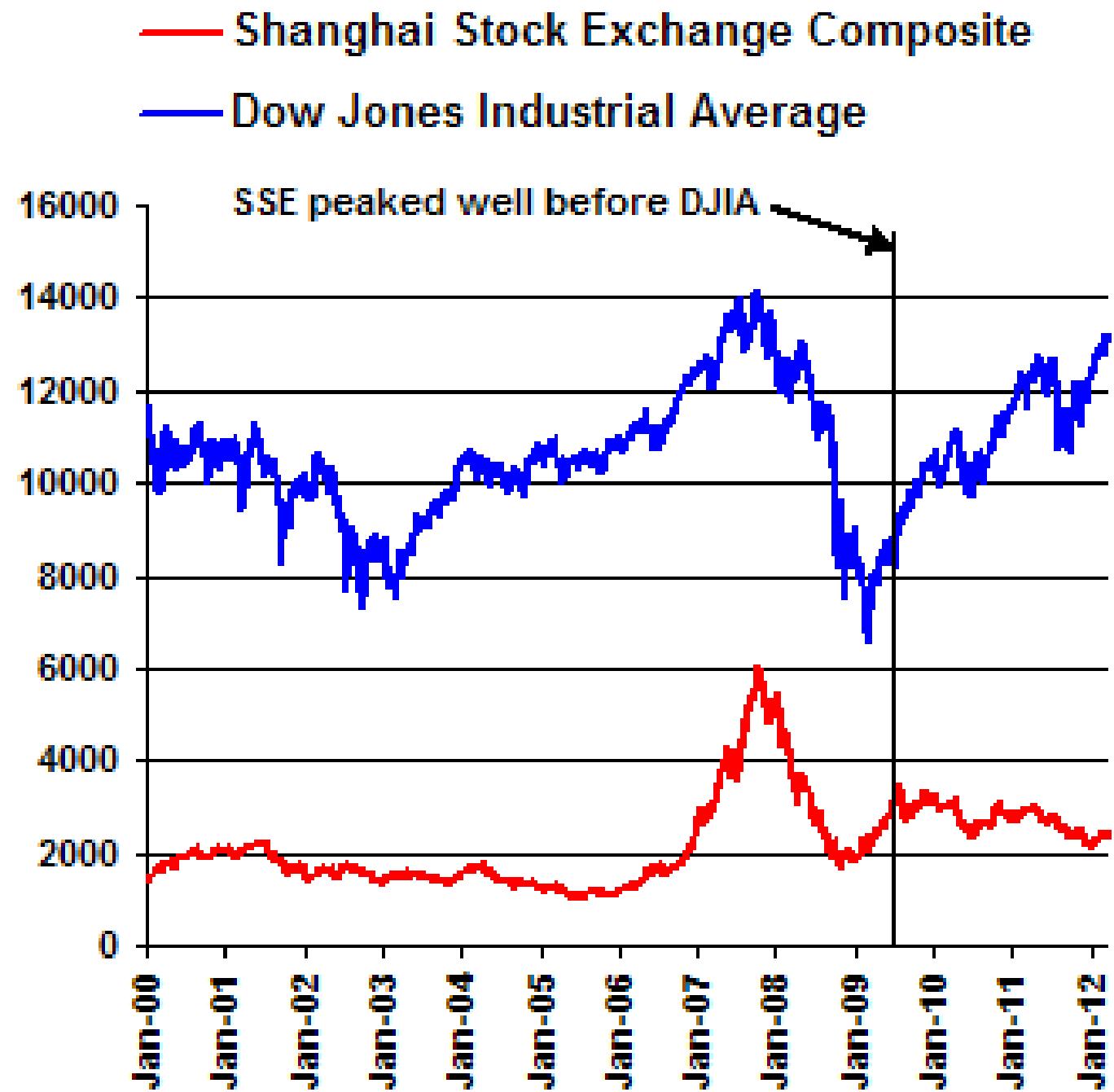


Source: CPM, IMF, World Bank

March 2012

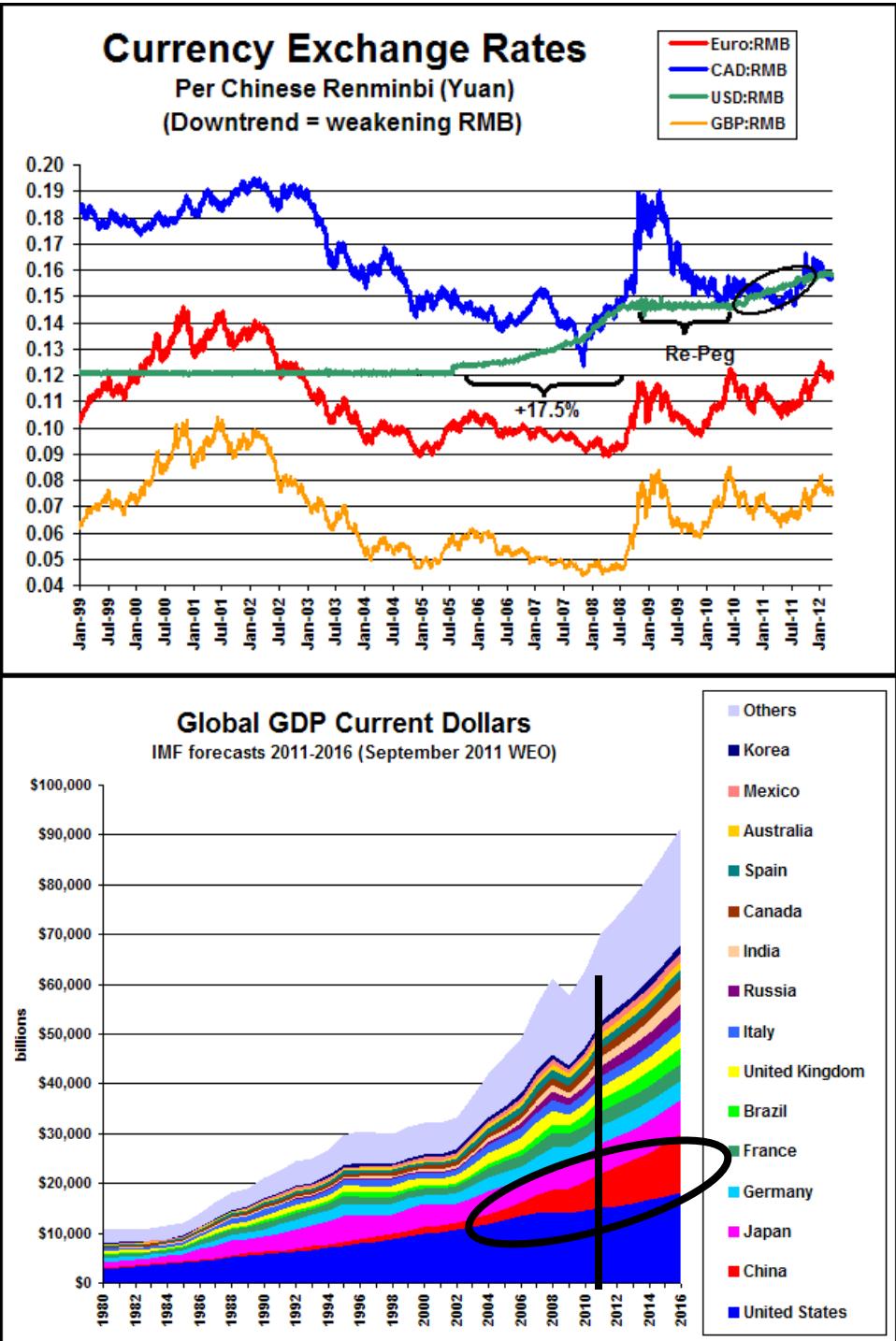
Kaiser Research Online

Is there a way we can
look at these gold
and silver charts
without concluding
that gold and silver
bullion are in a
dangerous bubble?

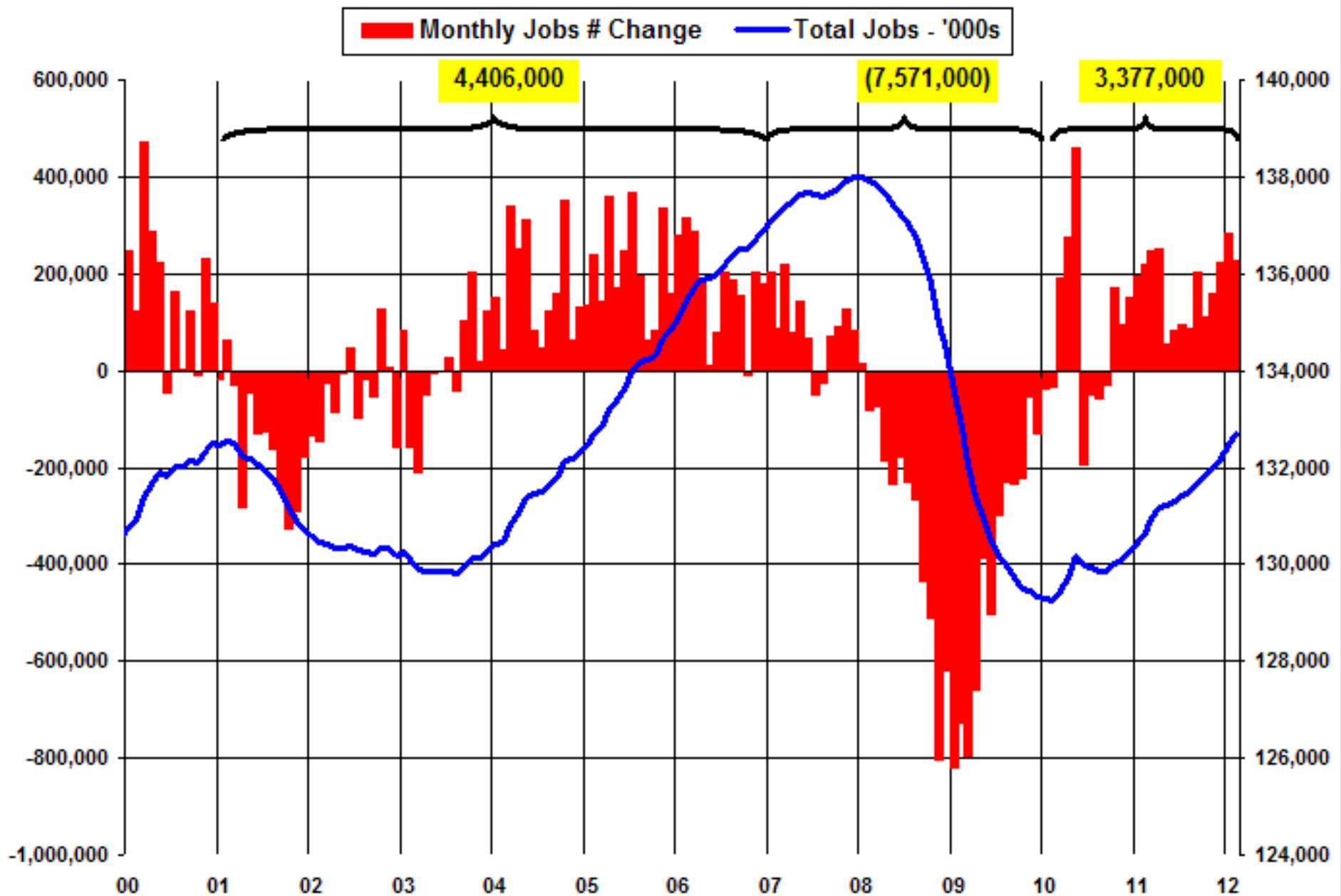


The Chinese Anomaly

- Hybrid central command economy with outsourced production
- Cheap Labor – urbanization of 1 billion rural Chinese unleashed by the end of orthodox communism
- 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 renminbi by bankrolling the US trade deficit through the accumulation of US treasury debt
- FDI: foreign direct investment and technology transfer



US Non-Farm Jobs

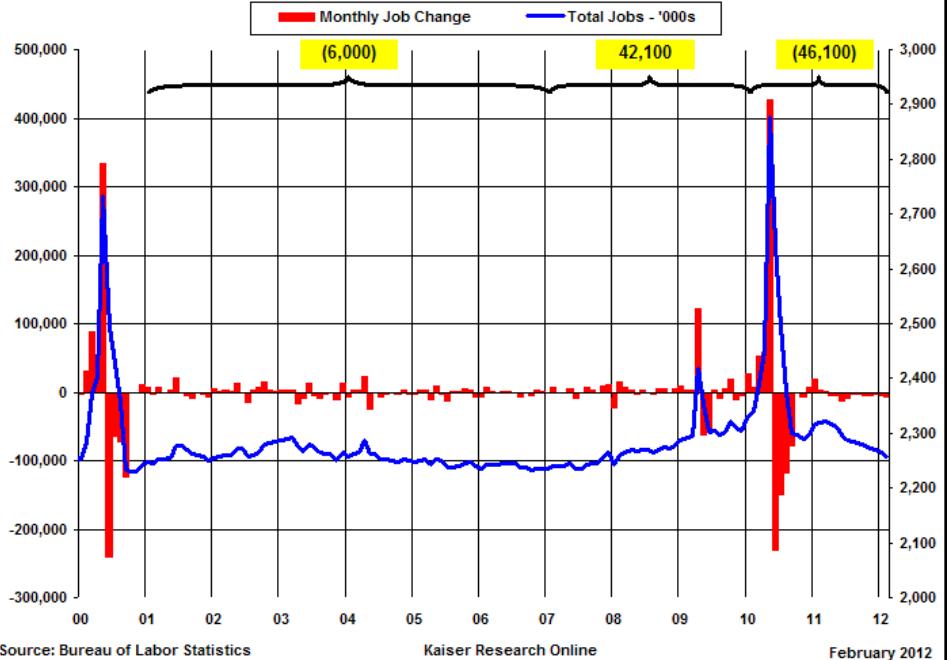


Source: Bureau of Labor Statistics

Kaiser Research Online

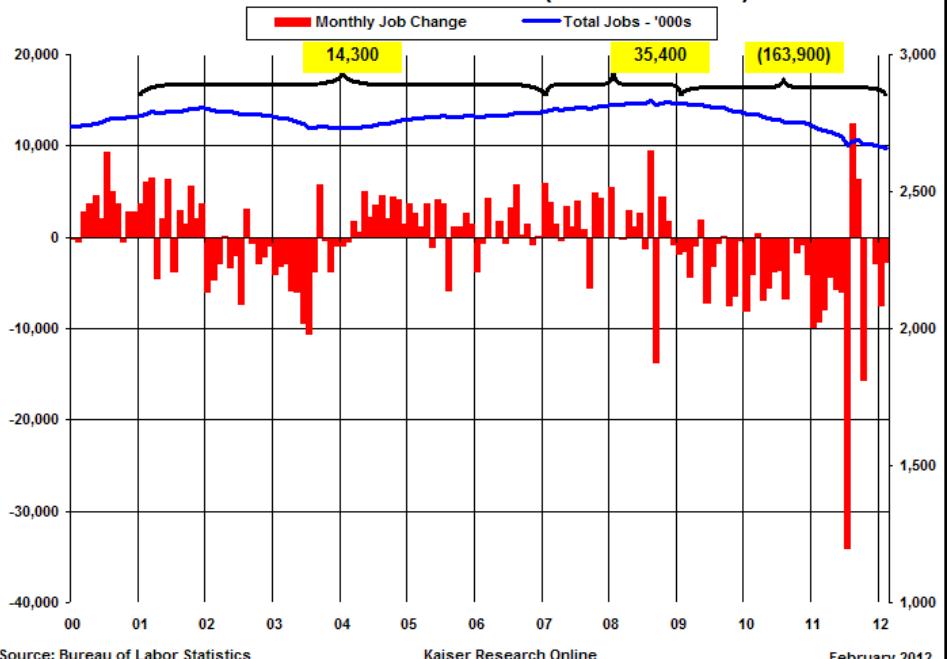
February 2012

US Federal Government Jobs (excl Military)

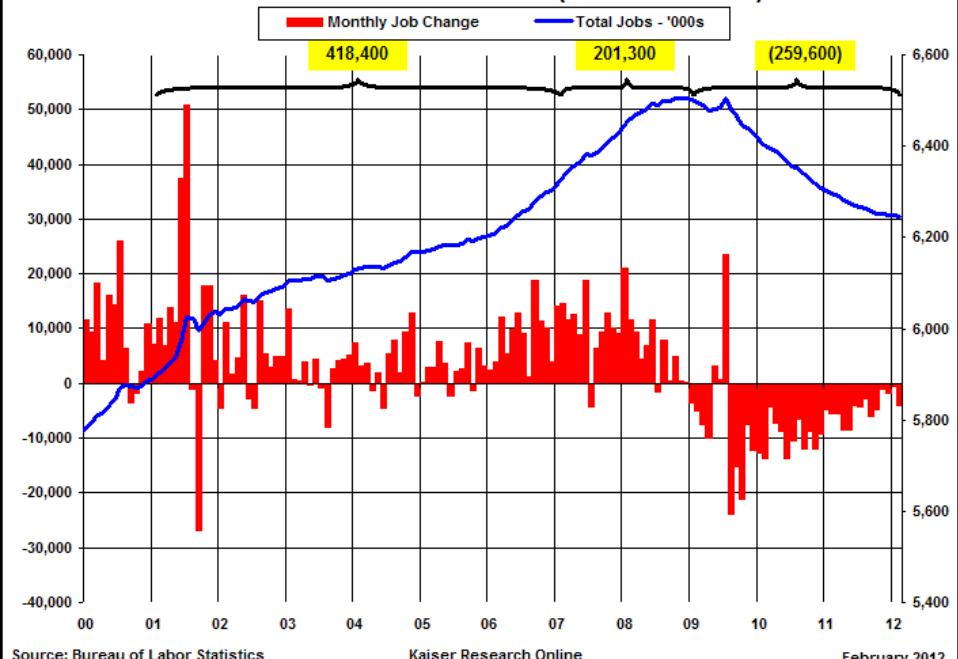


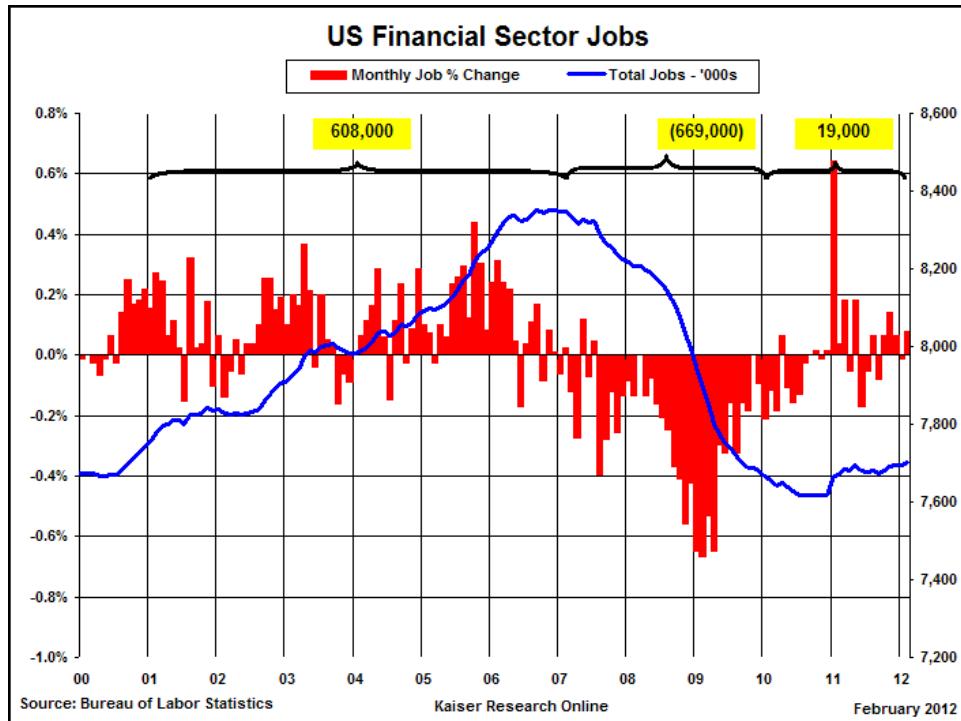
Government jobs
are in decline at
all levels.

US State Government Jobs (excl Education)

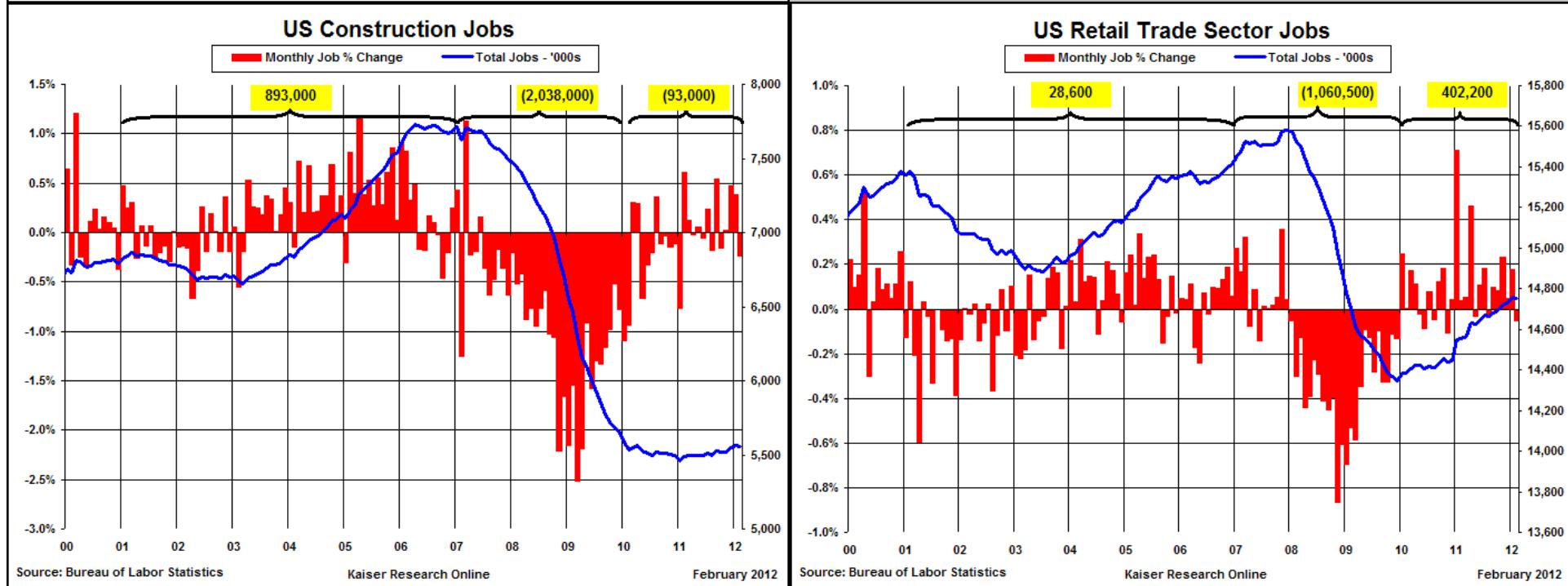
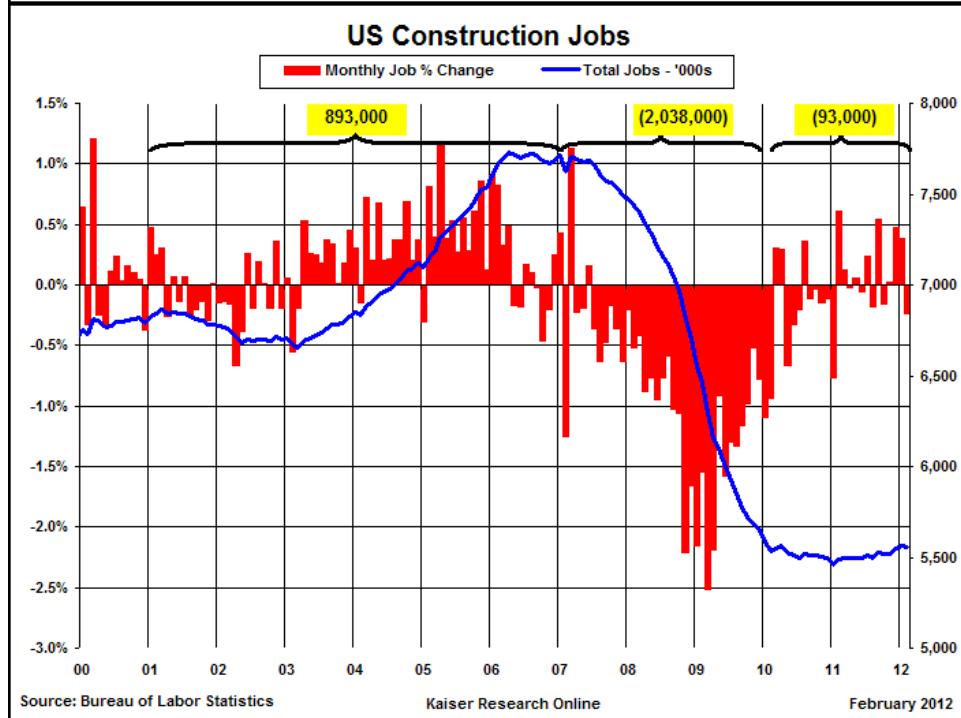


US Local Government Jobs (excl Education)

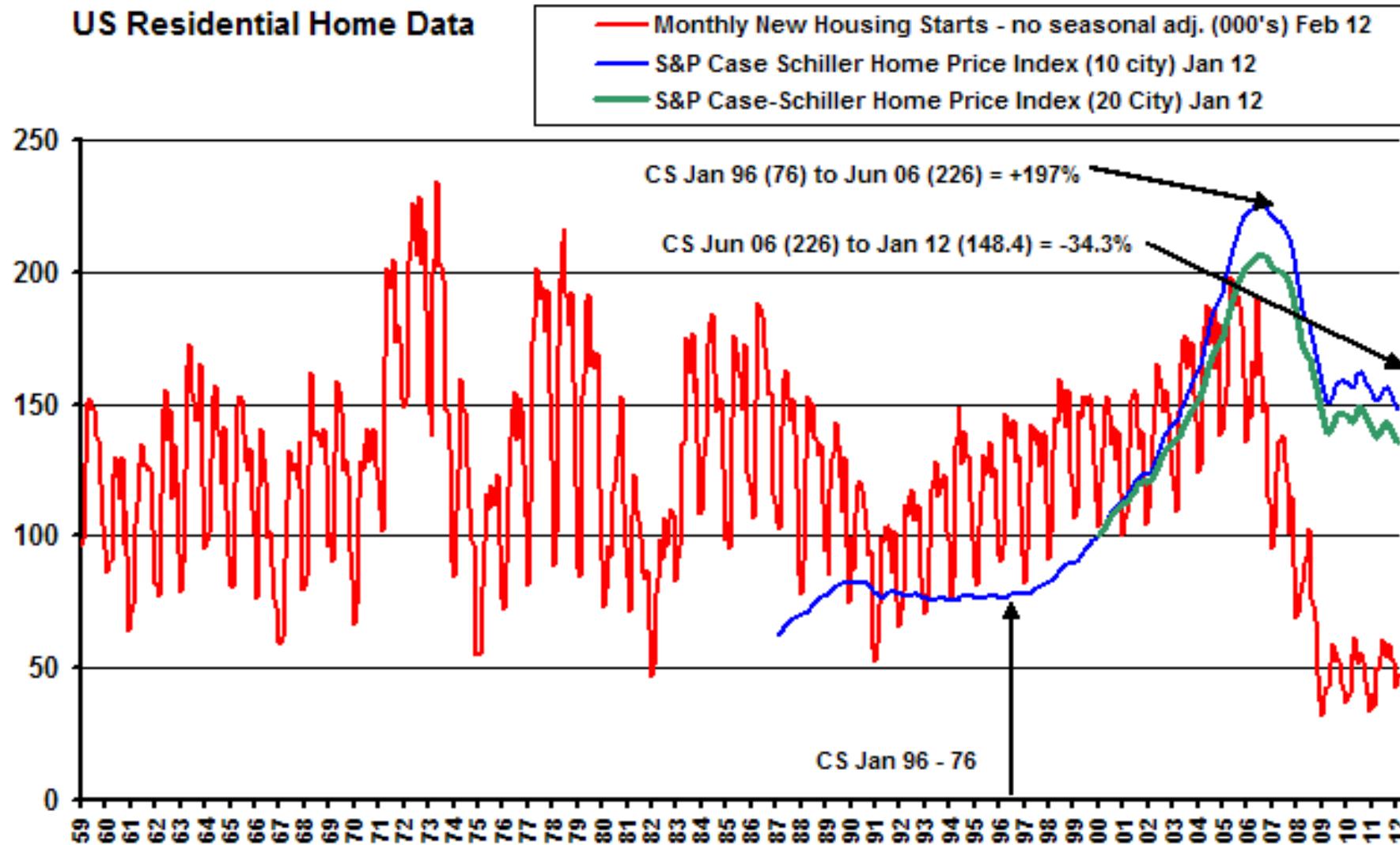




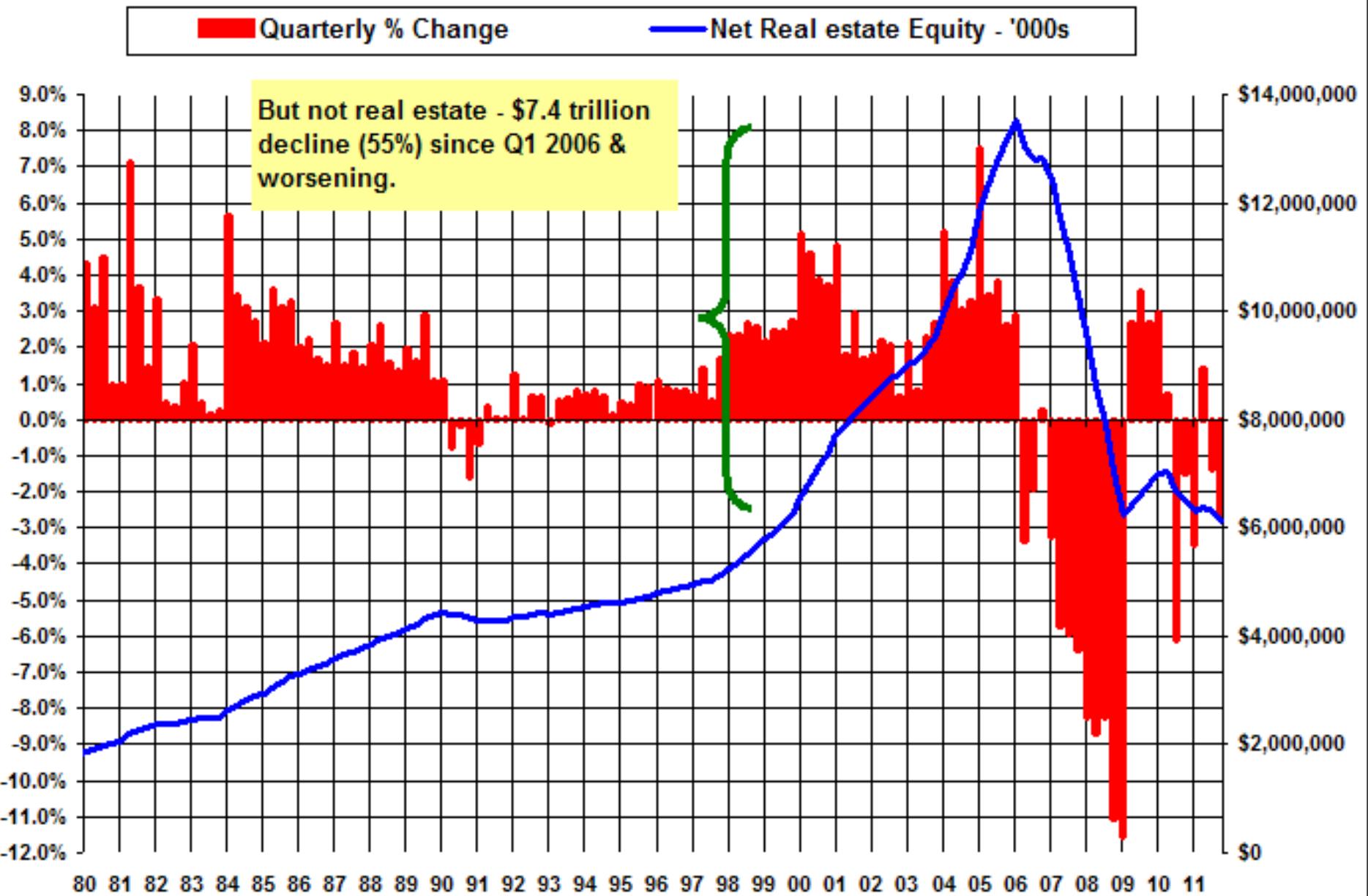
**Key beneficiaries
of the credit
bubble have not
recovered.**



US Residential Home Data



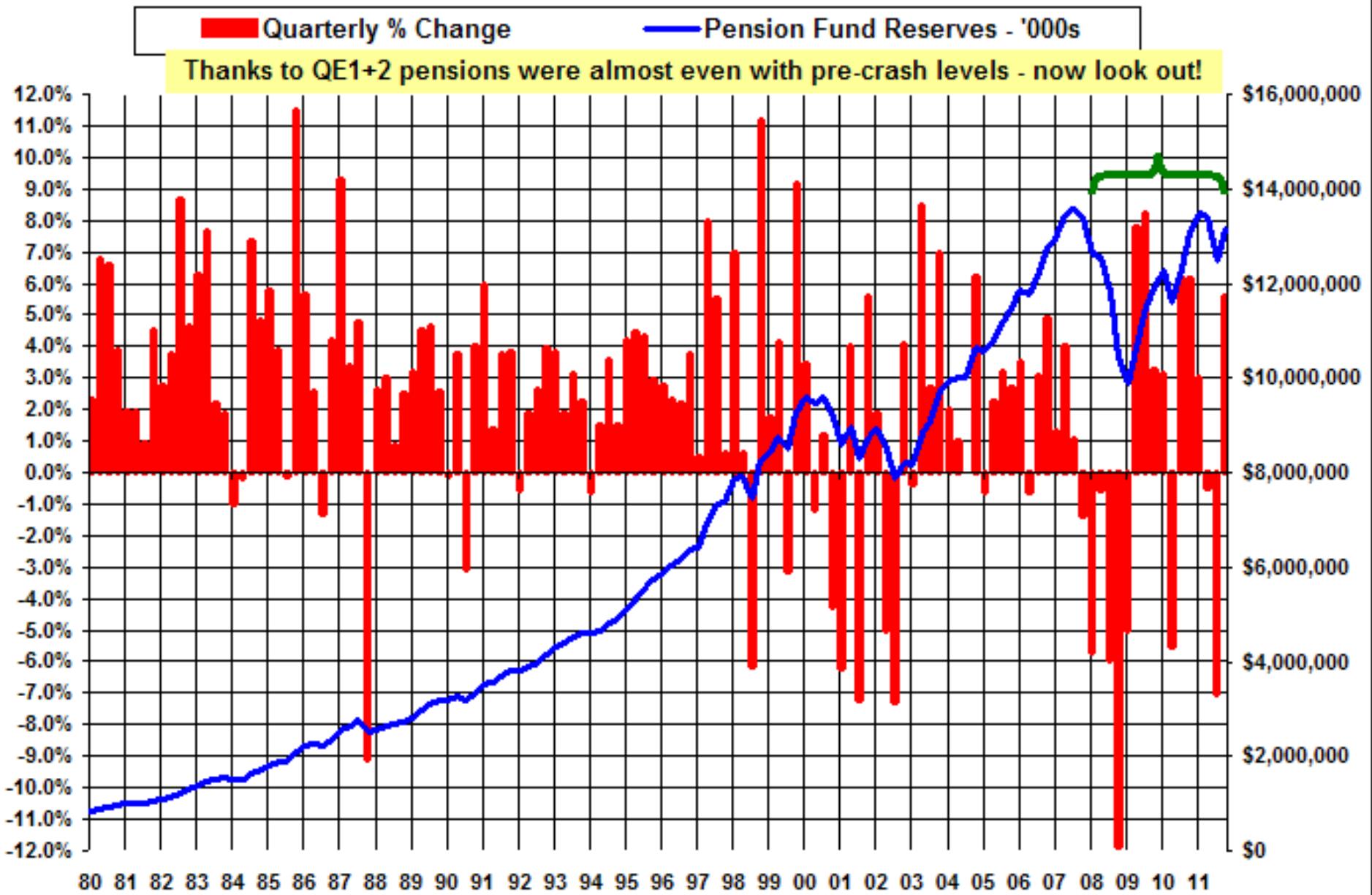
US Household Net Real Estate Equity



Source: Federal Reserve

Q4 of 2011

US Household Pension Fund Reserves



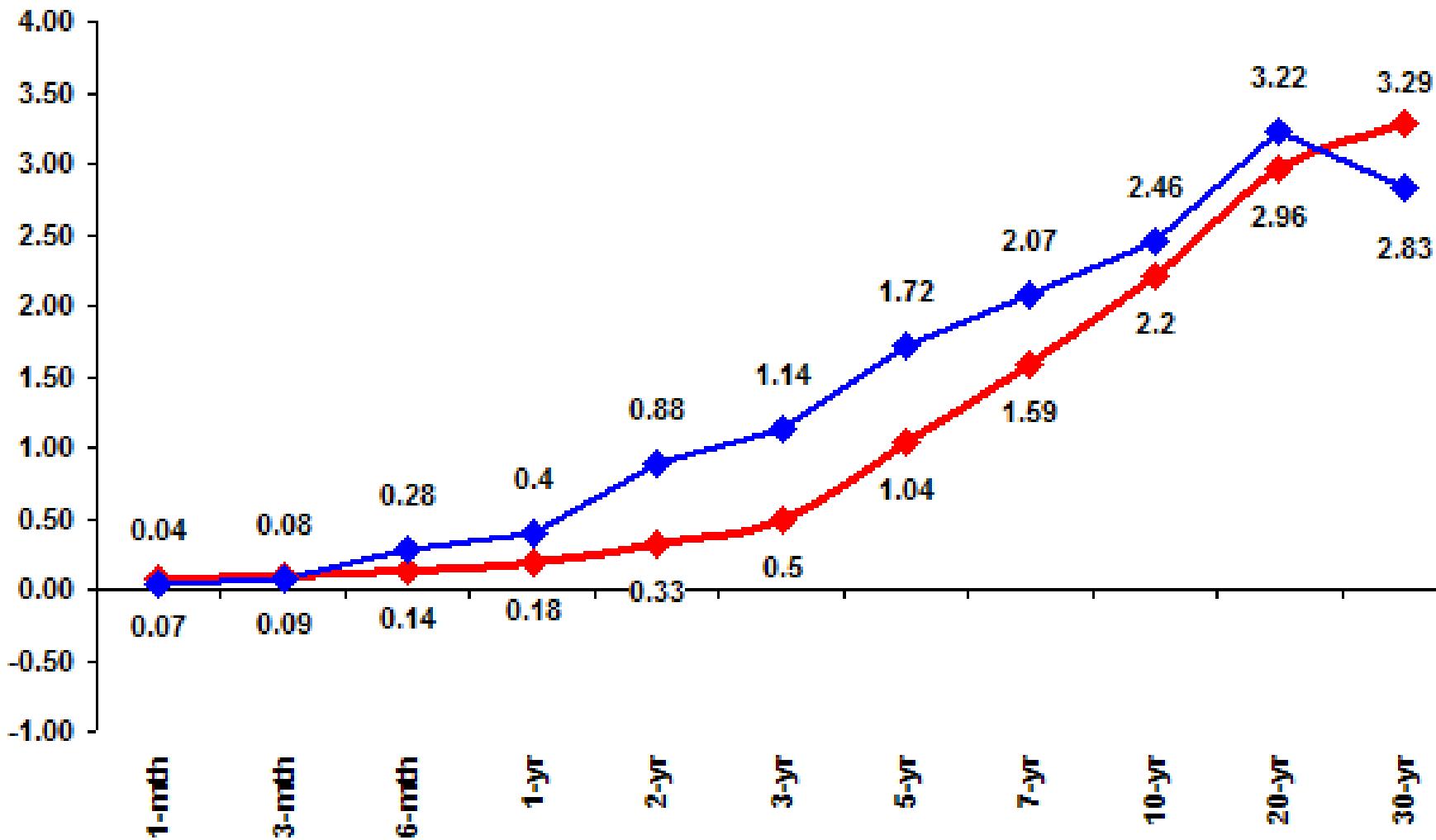
Source: Federal Reserve

Q4 of 2011

US T-Bill % Yield Curve

March 27, 2012

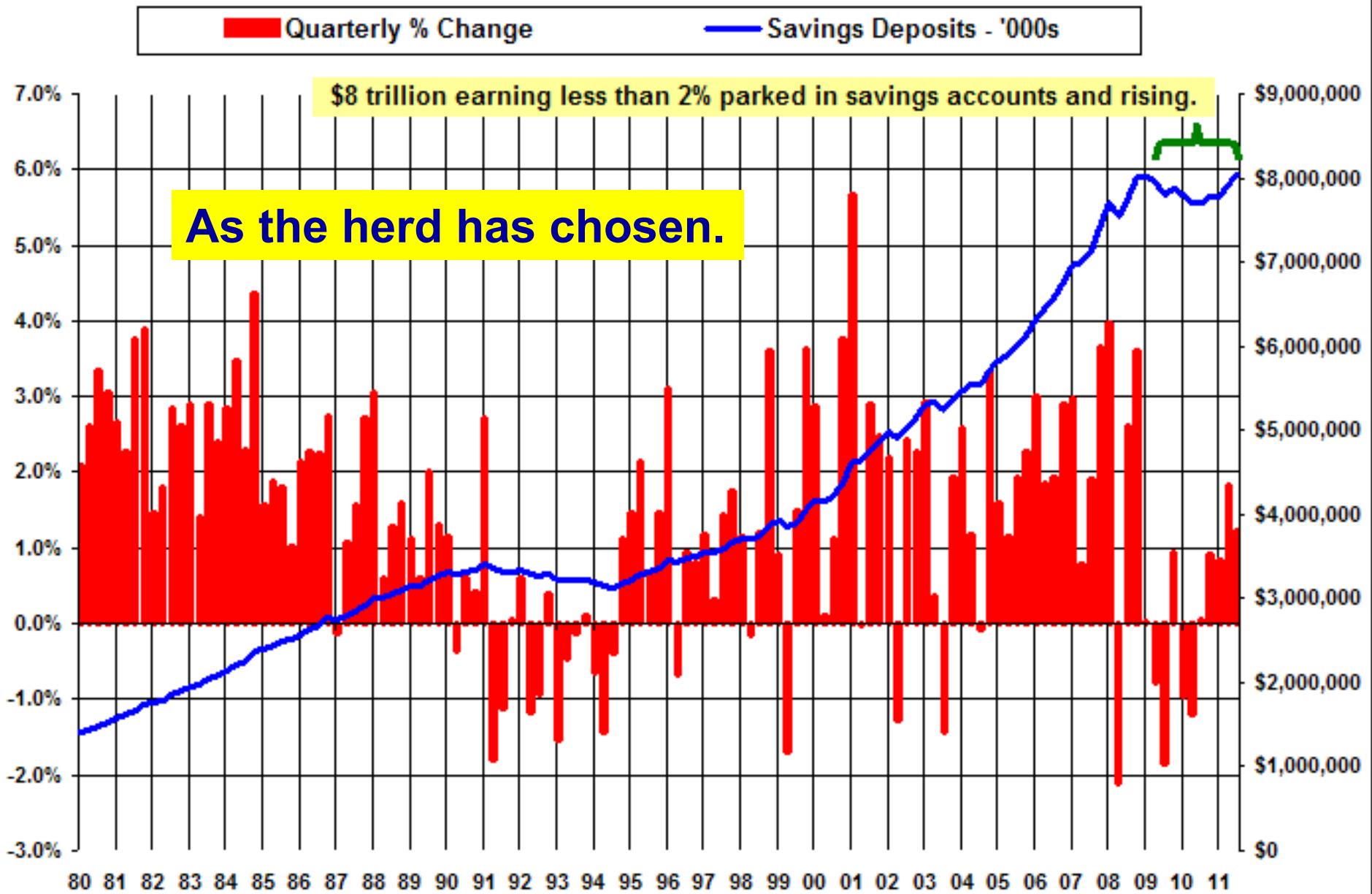
Jan 2, 2009



Source: Federal Reserve

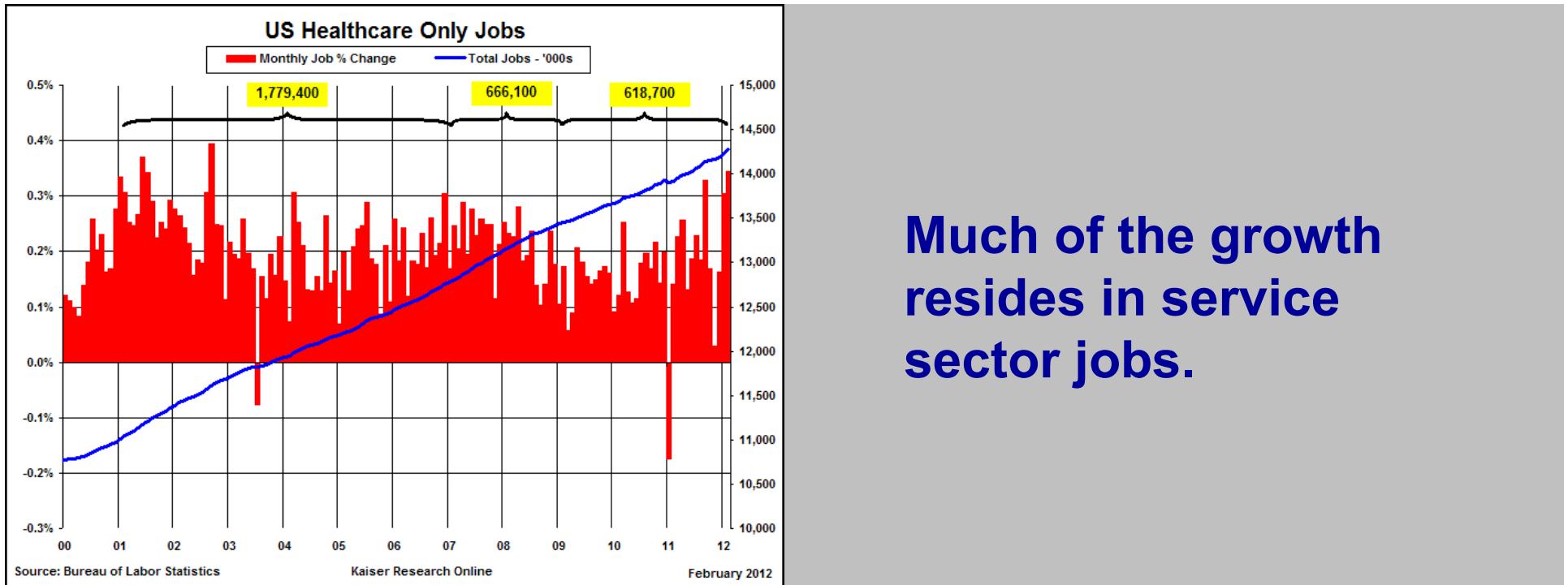
Kaiser Research Online

US Household Savings Deposits

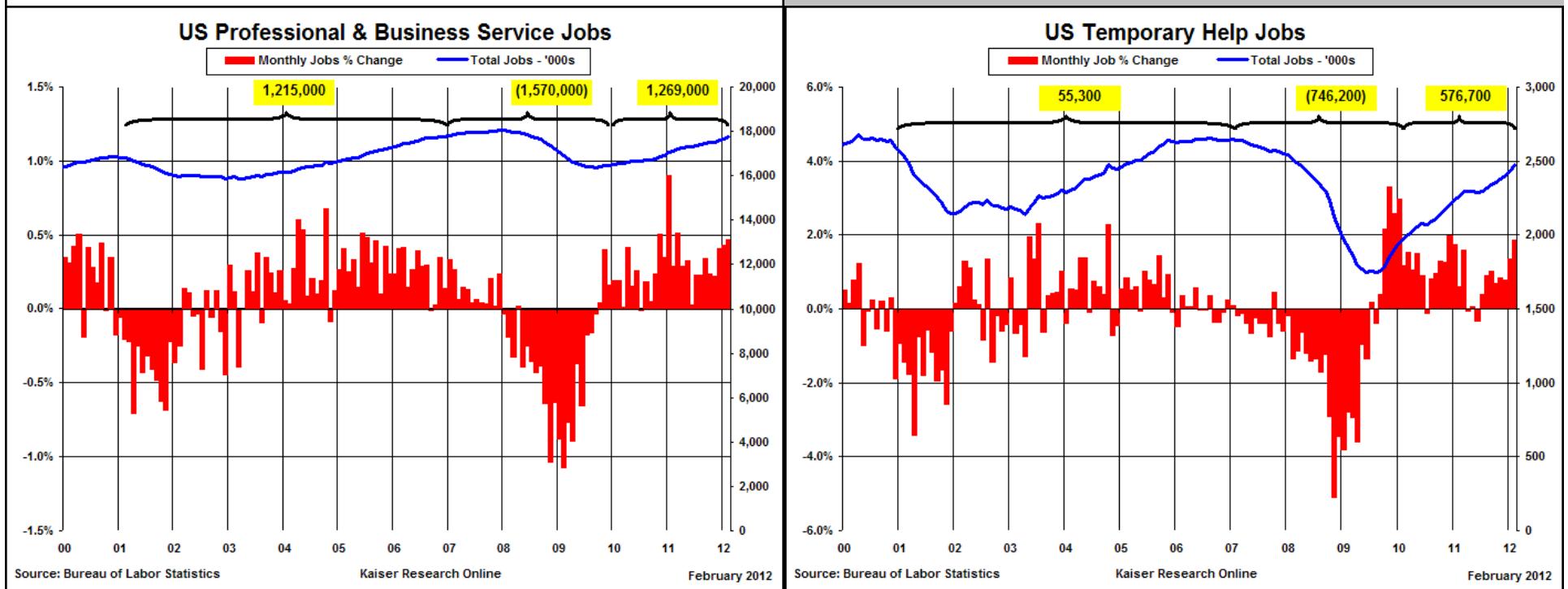


Source: Federal Reserve

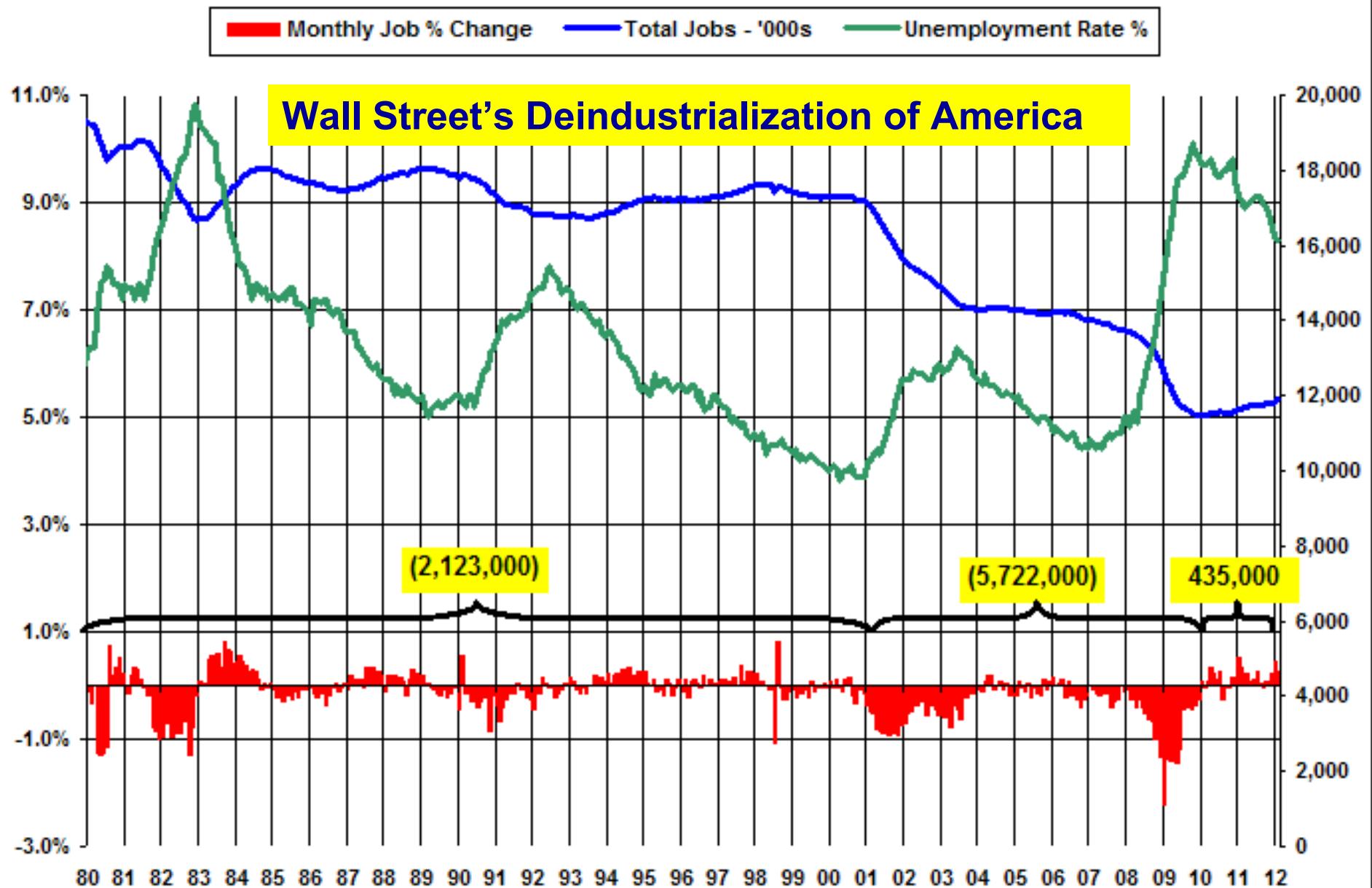
Q3 of 2011



Much of the growth
resides in service
sector jobs.



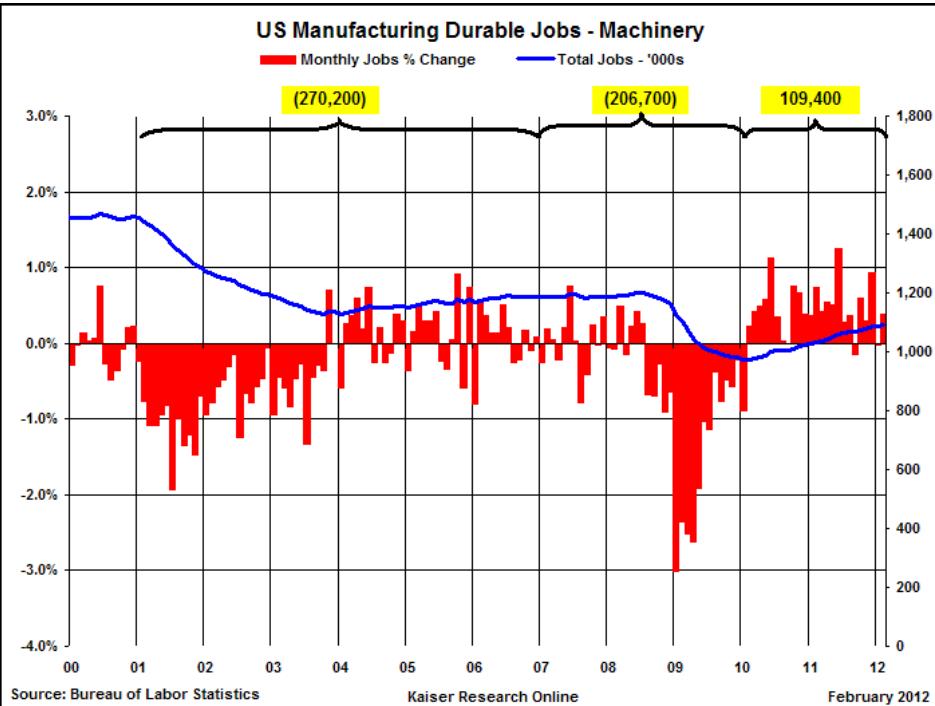
US Manufacturing Jobs



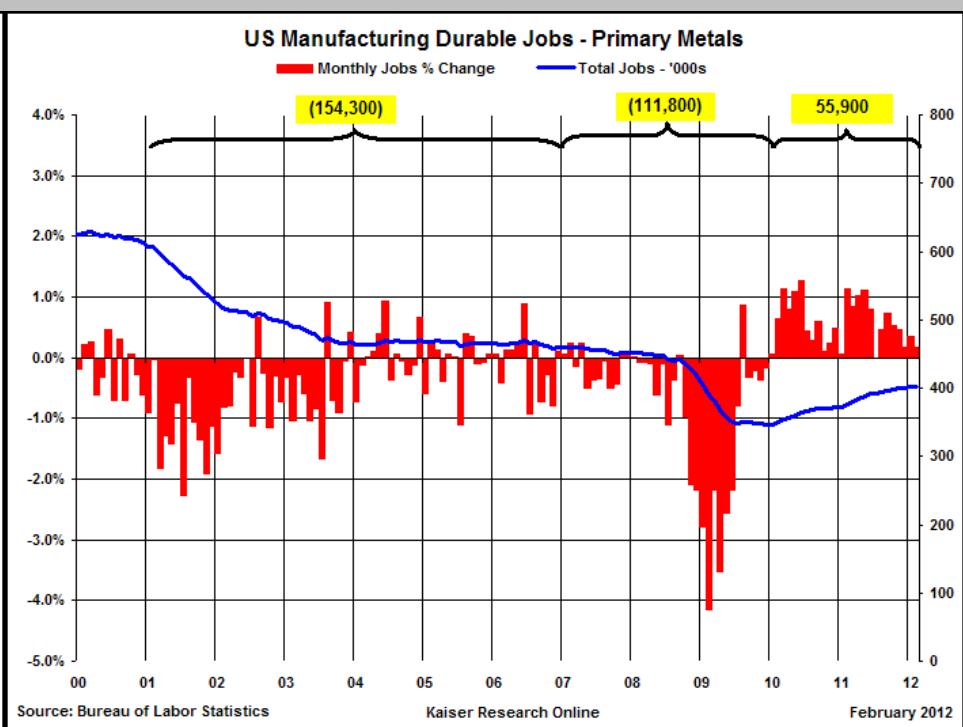
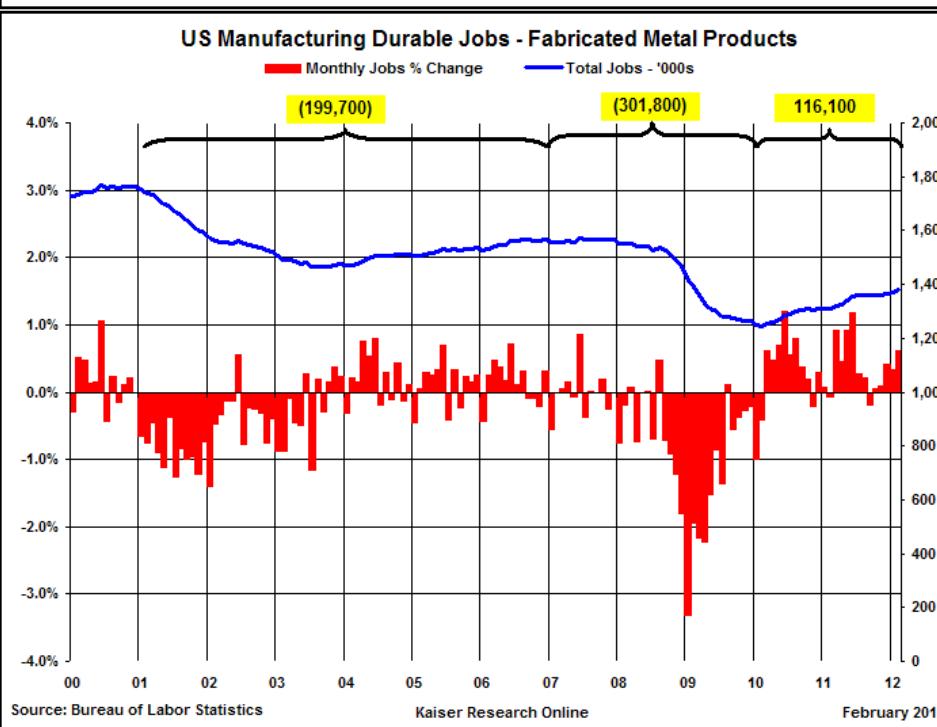
Source: Bureau of Labor Statistics

Kaiser Research Online

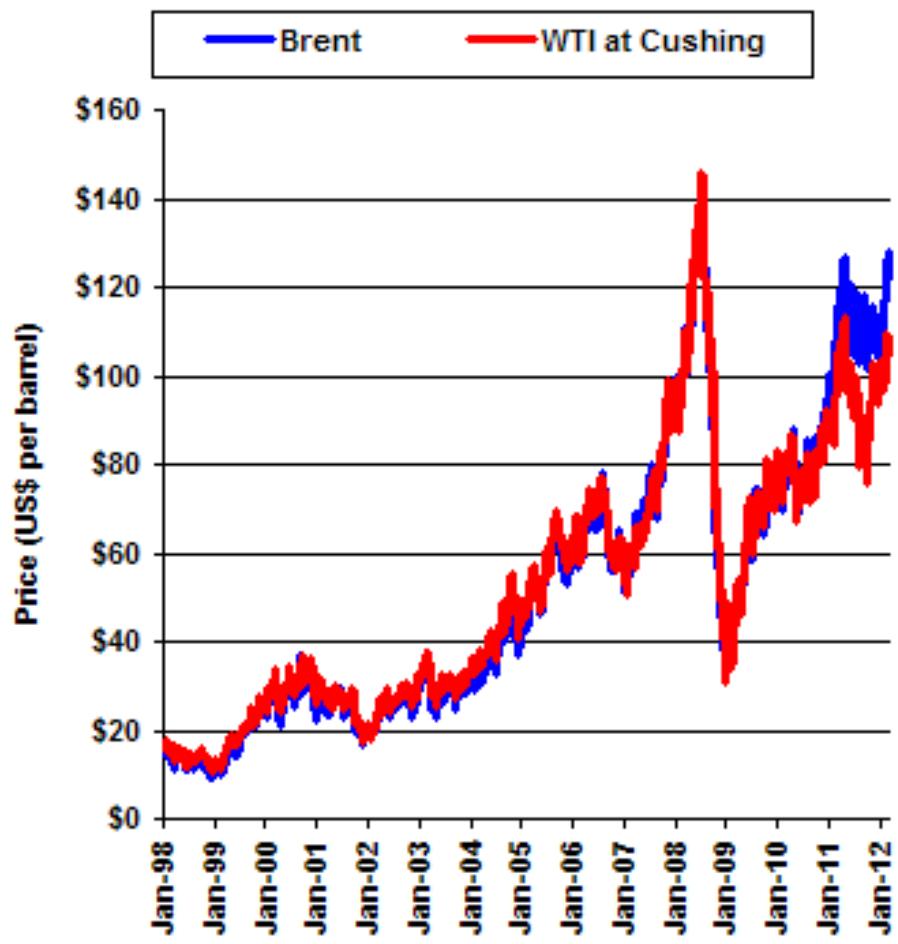
February 2012



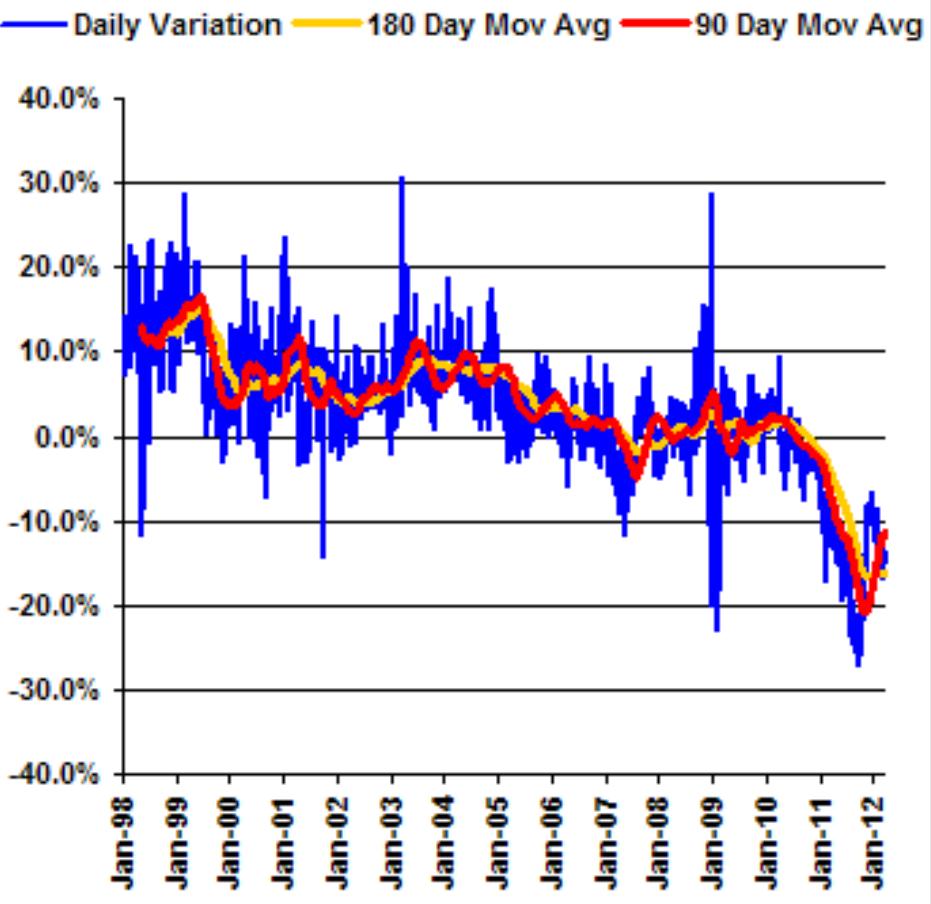
The only manufacturing sub-sectors to undergo a sustained reversal of the long term job loss trend. Why?



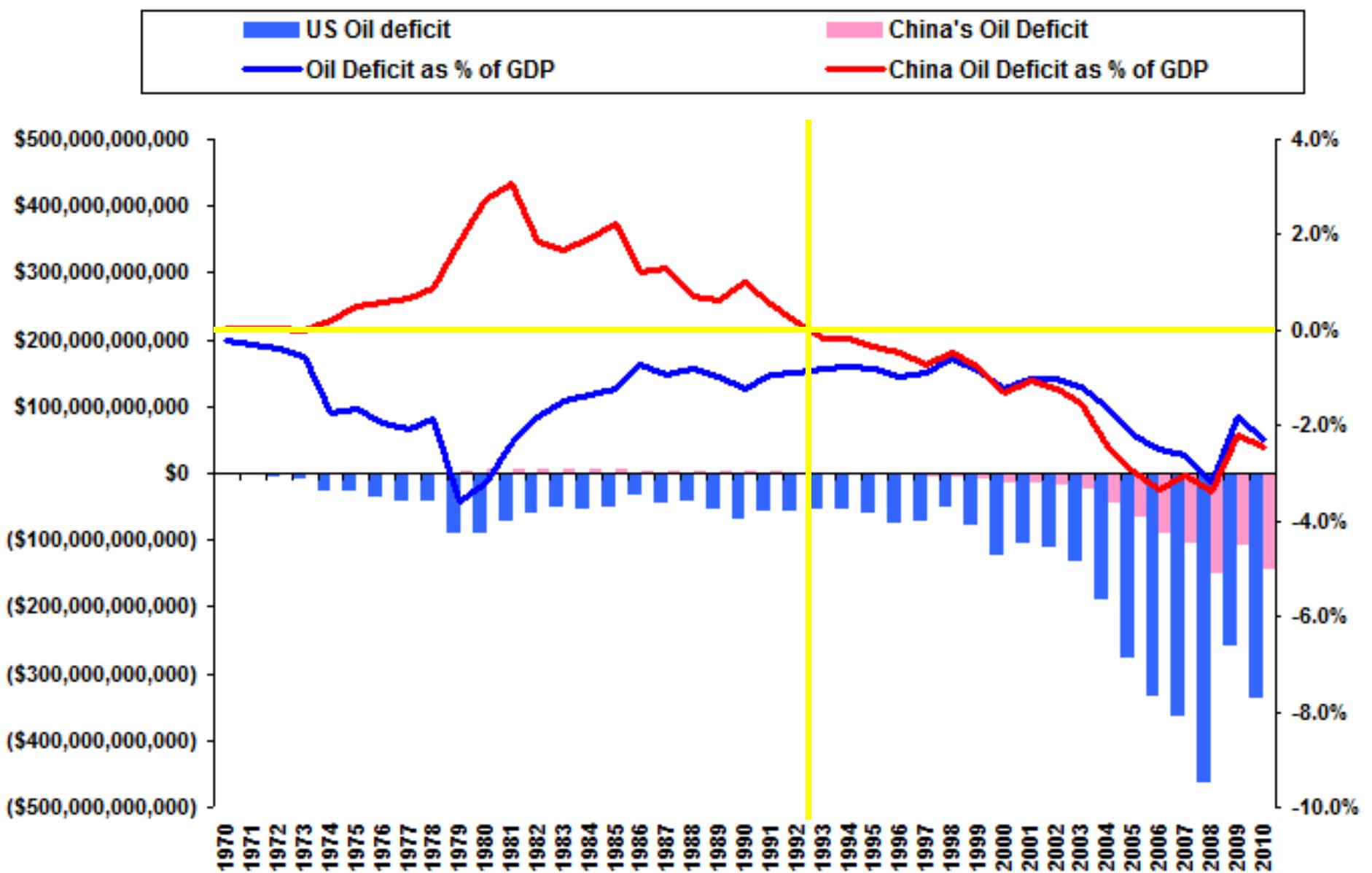
Brent vs WTI



WTI vs Brent Daily Price Variation (% WTI was above or below Brent Price)



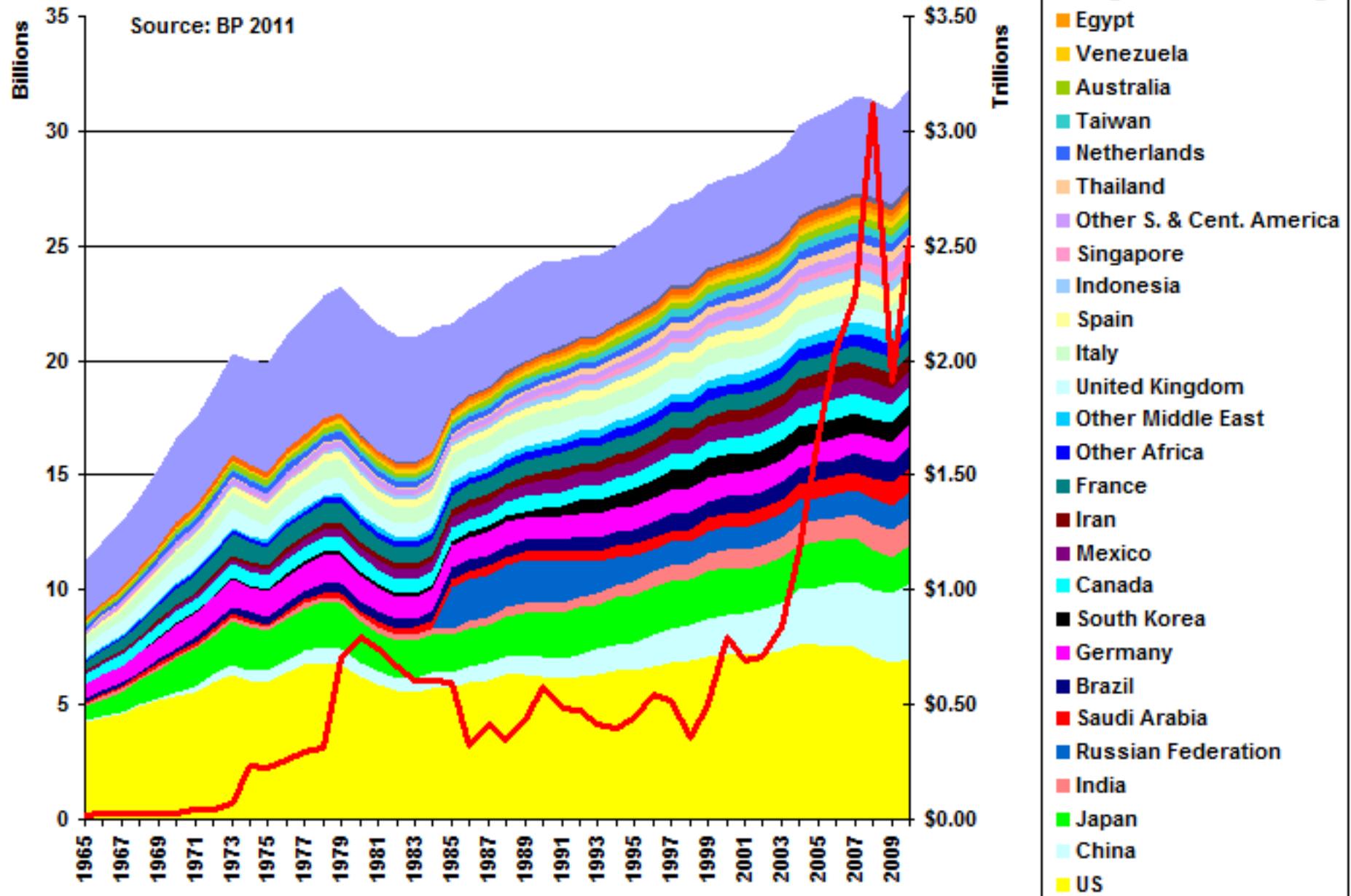
US and China Oil Import Dependency



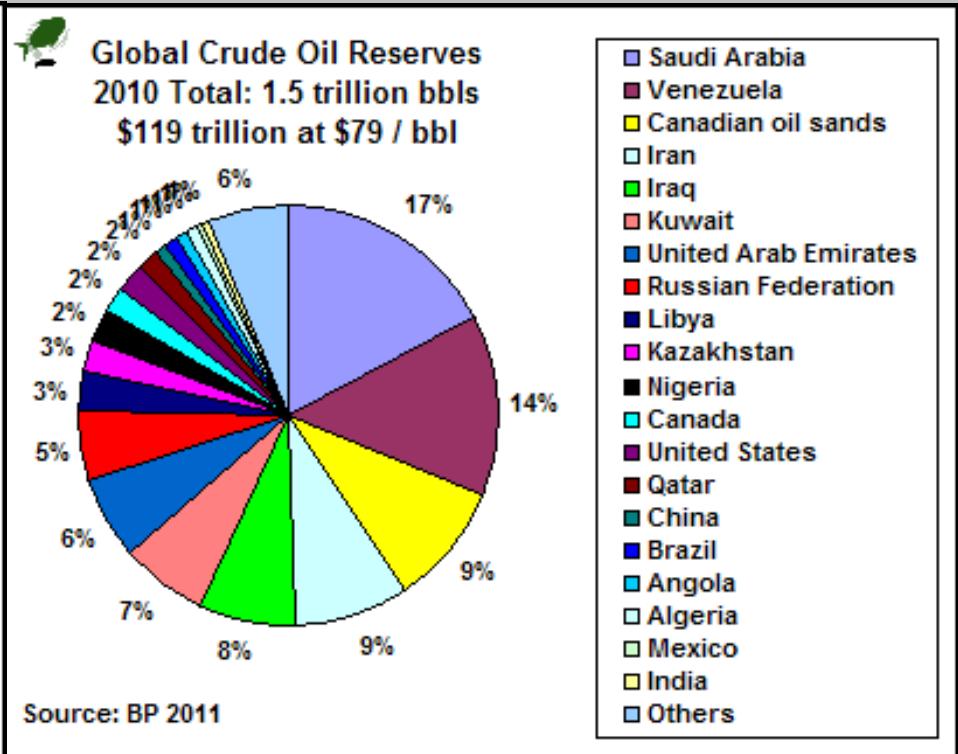
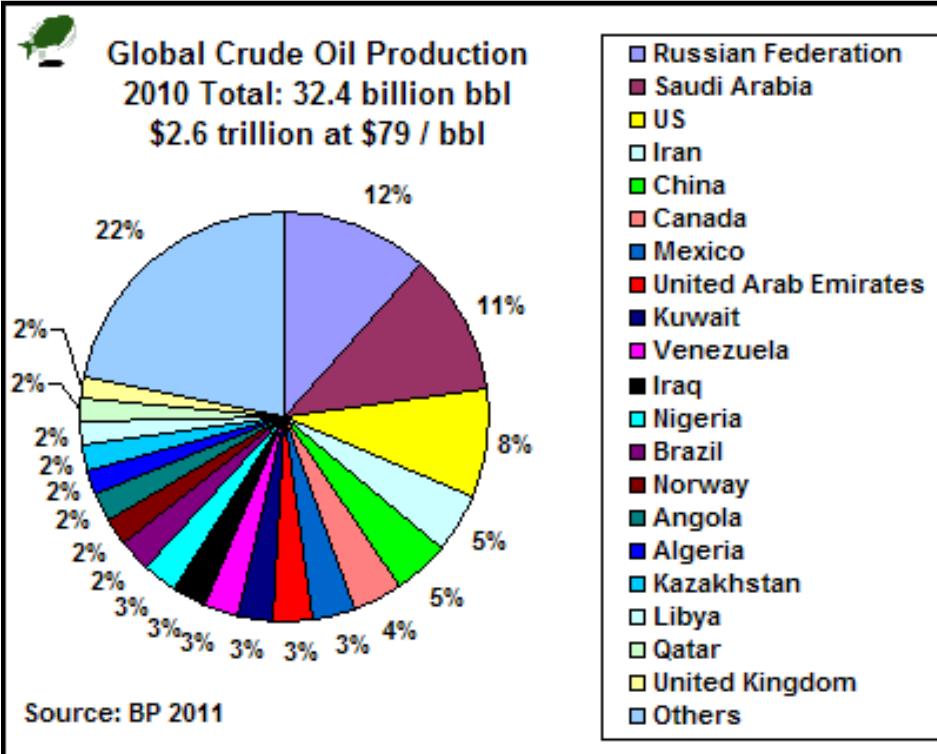
Source: BP 2011

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Oil Consumption- barrels per year

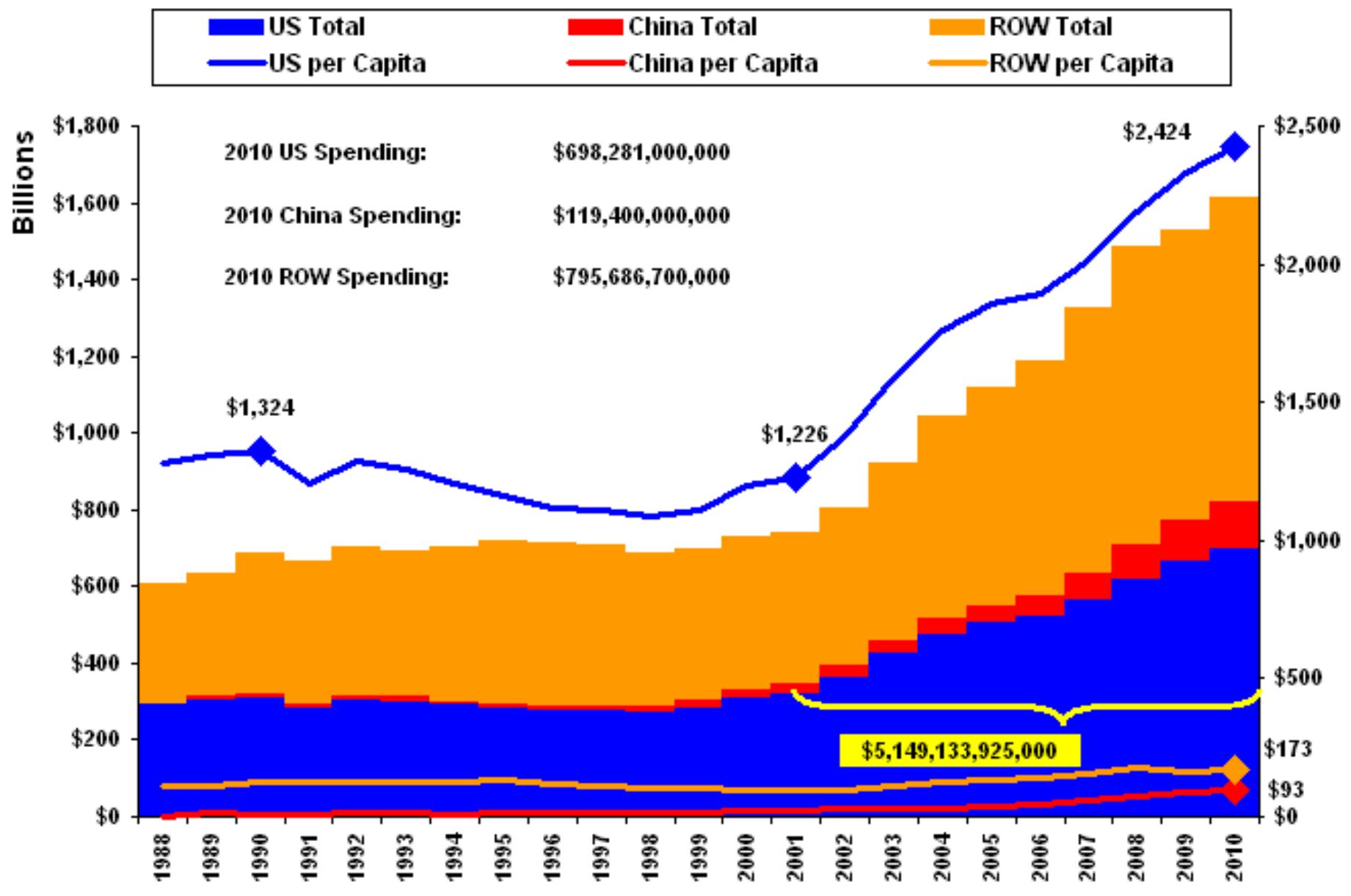


Will the Arab Spring boost the flow of crude oil for the whole world, spawn Islamic agenda driven supply allocation strategies, or provide China with easier access once the petrodollar recycling dictators are gone? Can the global economy sustain an oil shock arising from a decision to “neutralize” Iran’s nuclear ambitions?



Annual Military Spending

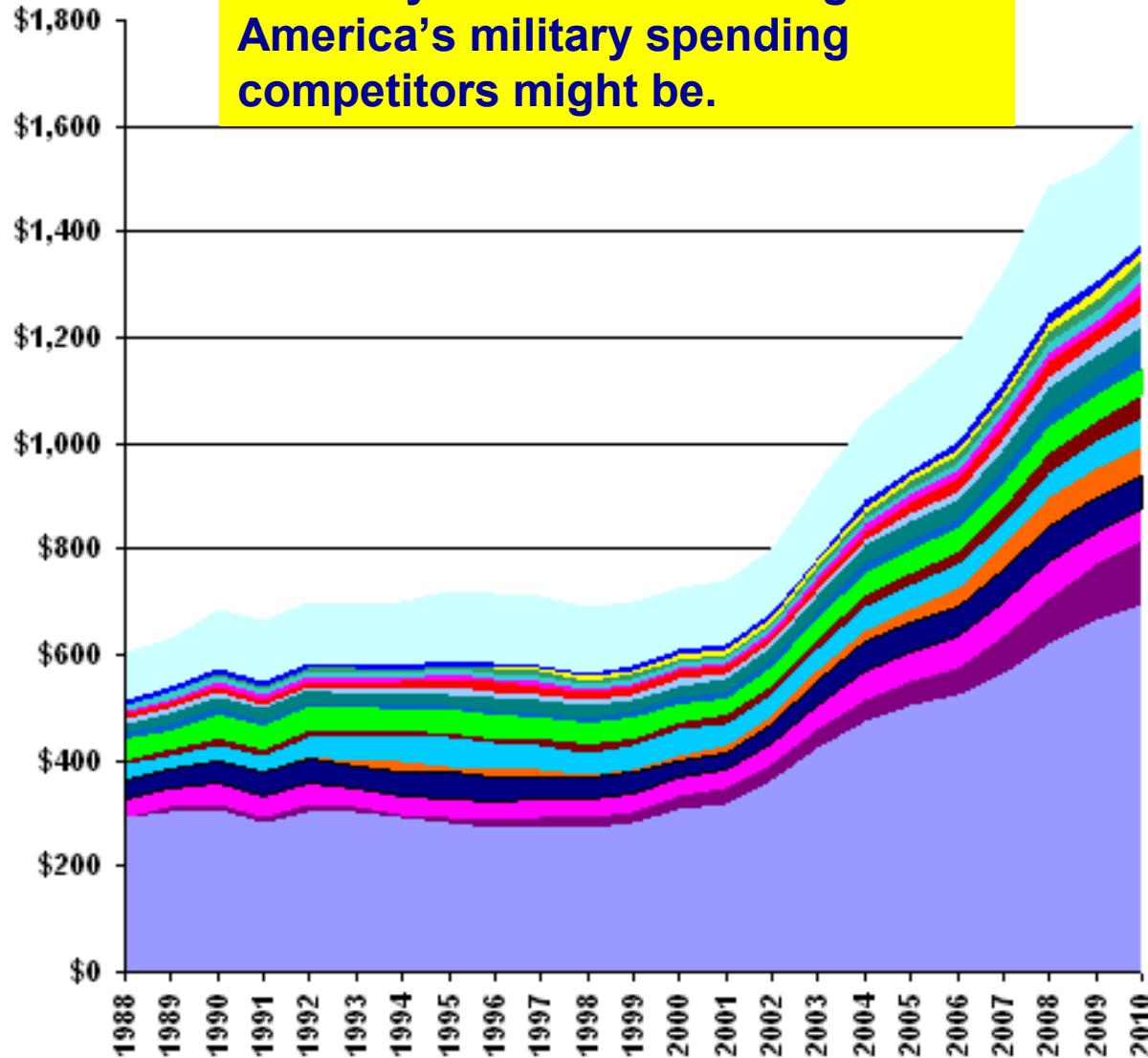
(US figures do not include veterans spending - \$100 billion in 2010)



Global Military Spending - billions USD

(\$1.6 trillion in 2010)

In case you were wondering who America's military spending competitors might be.



Source: IMF, SIPRI - current dollars

Rest of World

Spain

United Arab Emirates

Turkey

Canada

Australia

Korea

Brazil

Italy

India

Germany

Saudi Arabia

Japan

Russia

France

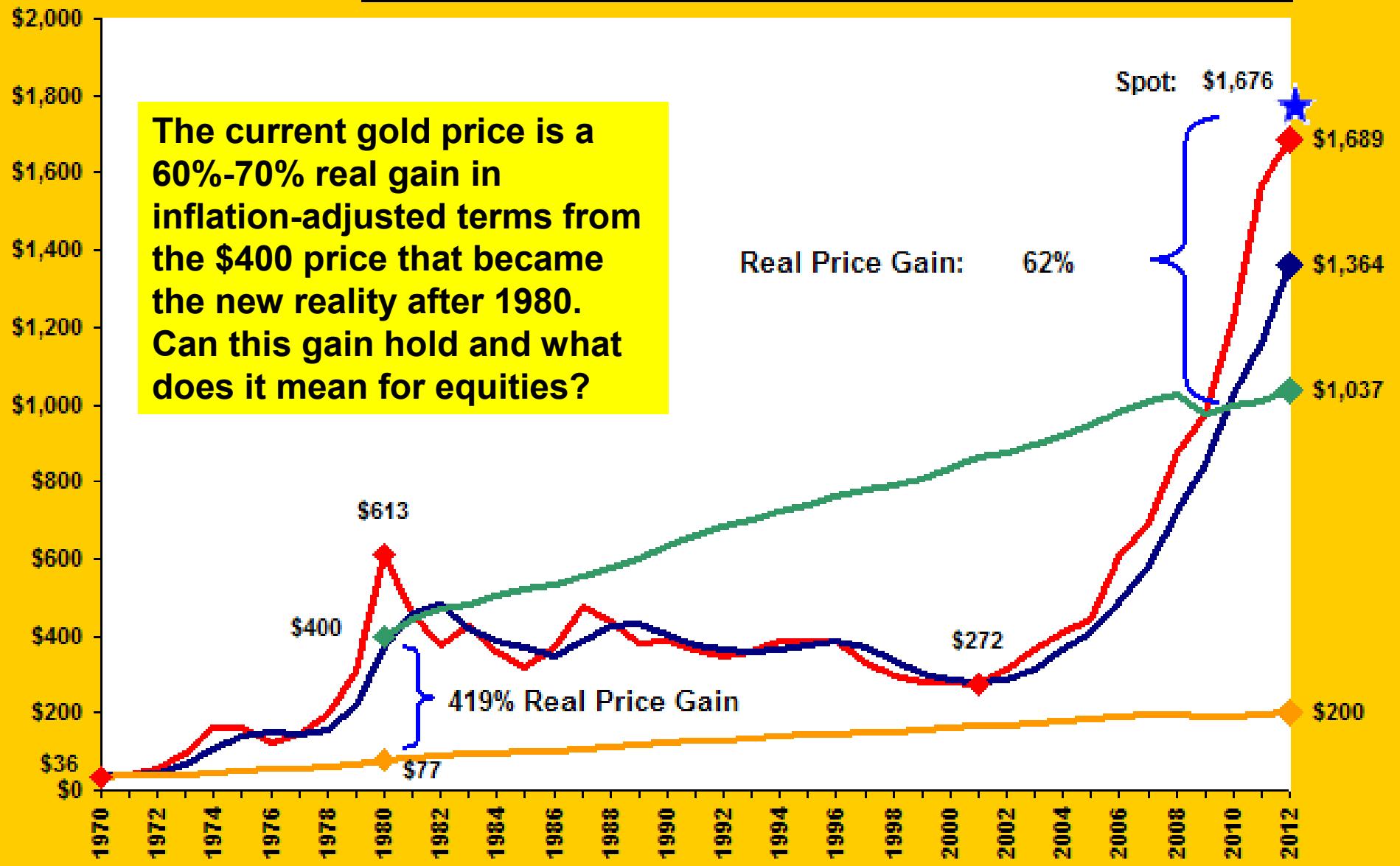
United Kingdom

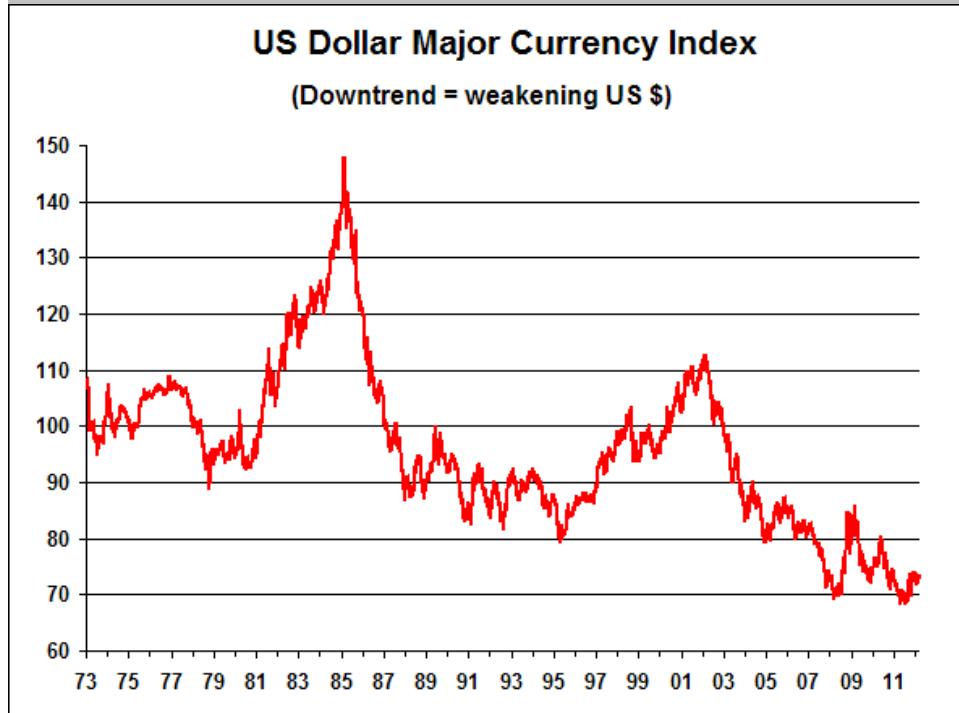
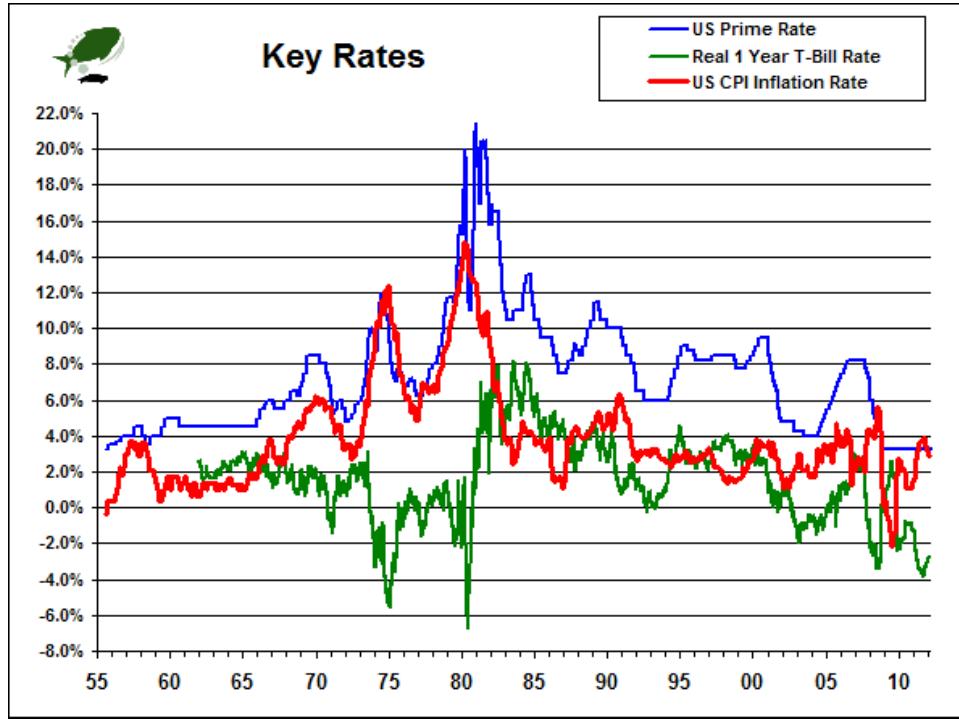
China

United States

Gold

- Average Annual Gold Price \$/oz
- 3 year average - includes current year
- 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



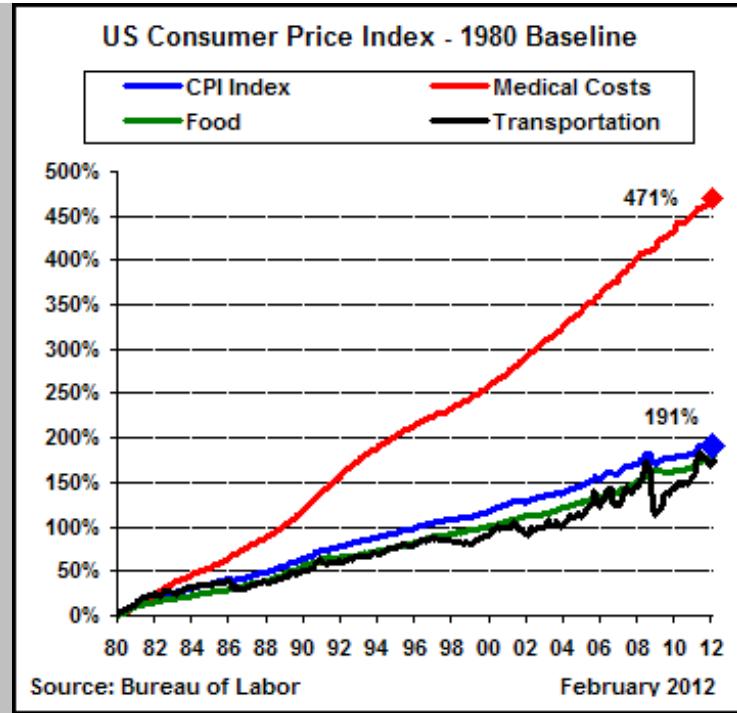
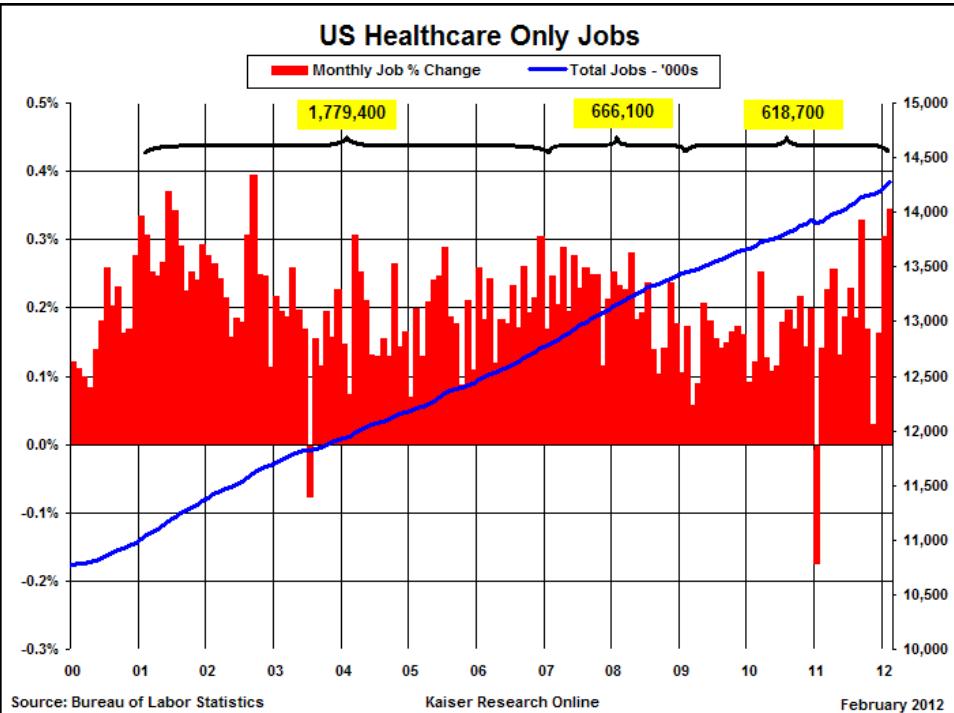


Is gold up because it is anticipating inflation which will wipe out the profit margin implicit in gold's real price gain?

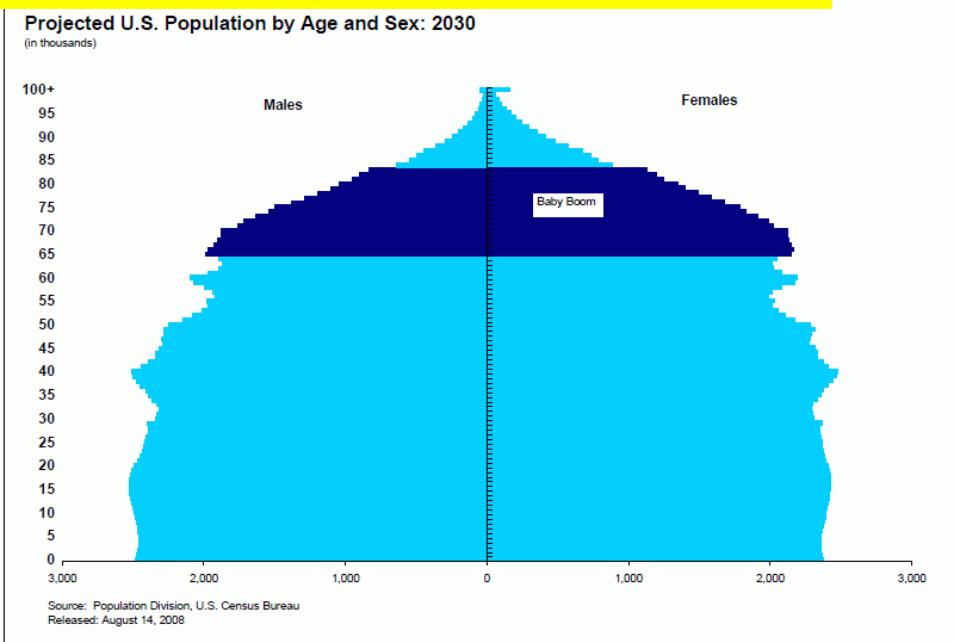
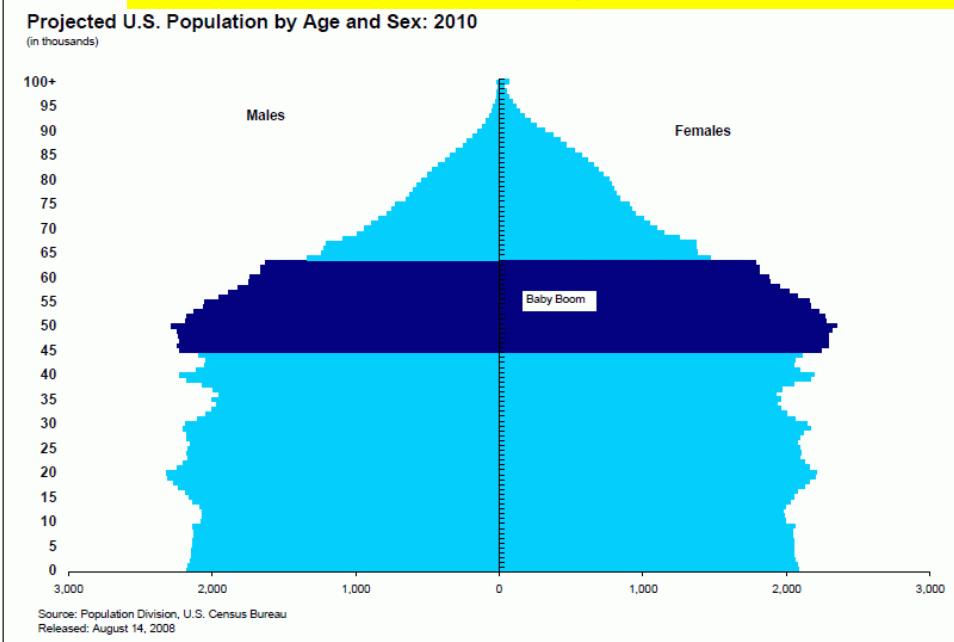
Is gold up because the US dollar will massively decline against other currencies?

Neither the hyper-inflation nor currency debasement explanations for gold's strength are good for gold equities.

The apocalyptic gold bug narrative does little for the profitability of gold production, the basis on which equities get valued.

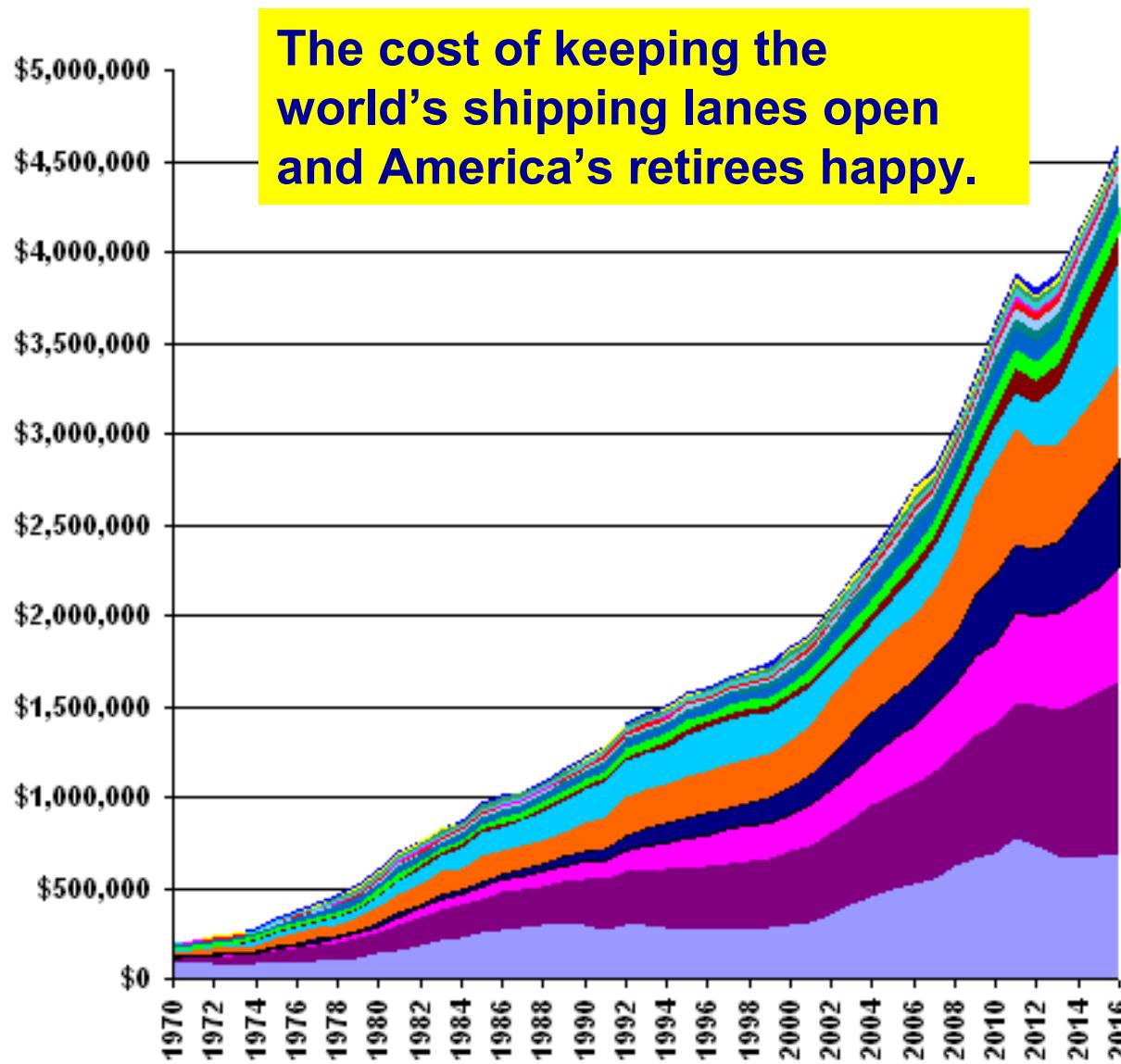


America's Key Problem: the Boomer Bulge & Health Care



US Federal Outlays - millions

(Estimates for 2011-2016)

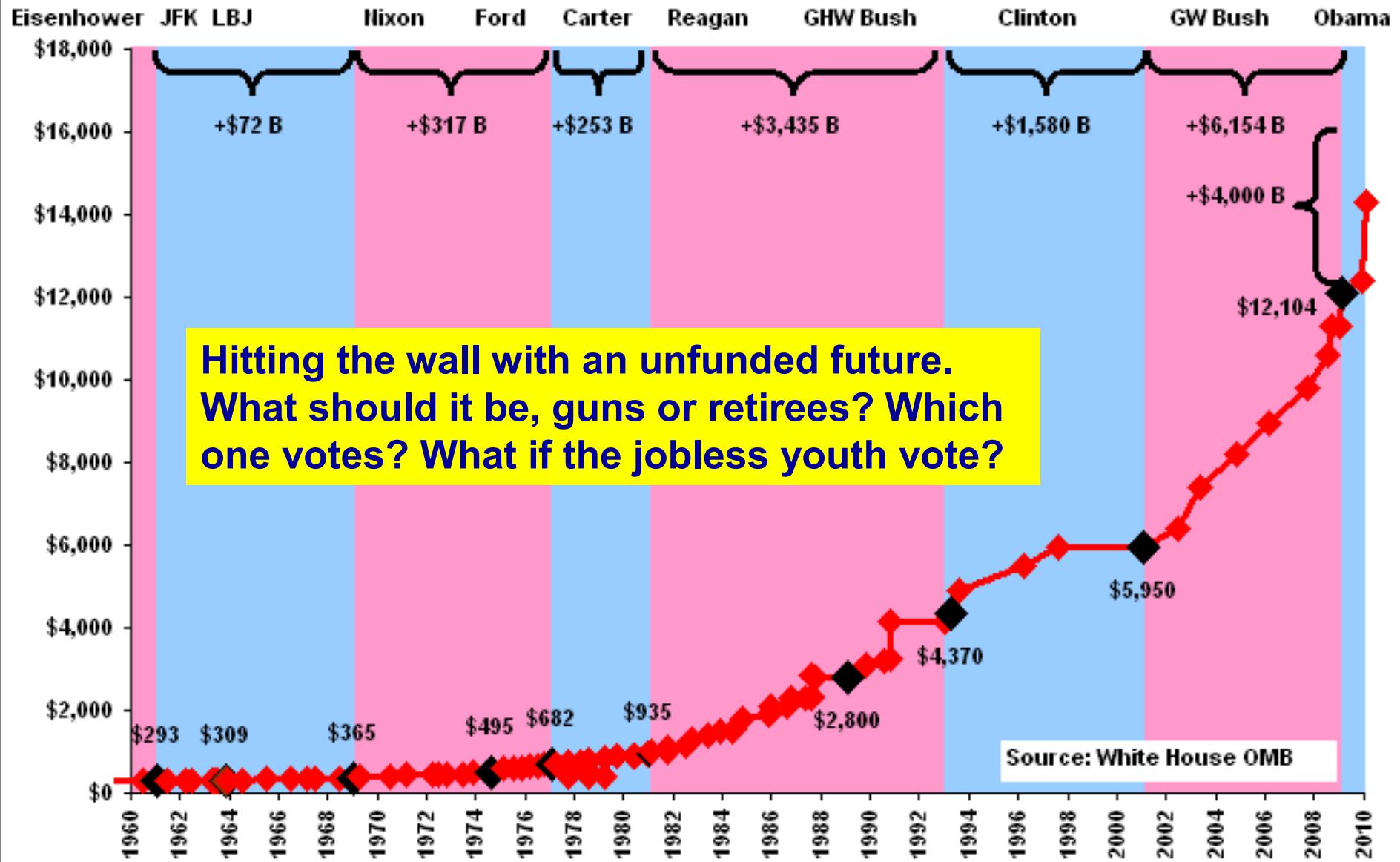


- General Government
- Community & Regional Dev
- Agriculture
- Natural Resources & Environment
- Energy
- Science, Space, Technology
- International Affairs
- Justice
- Education & Social Services
- Transportation
- Veterans
- Net Interest
- Income Security
- Health
- Medicare
- Social Security
- National Defense

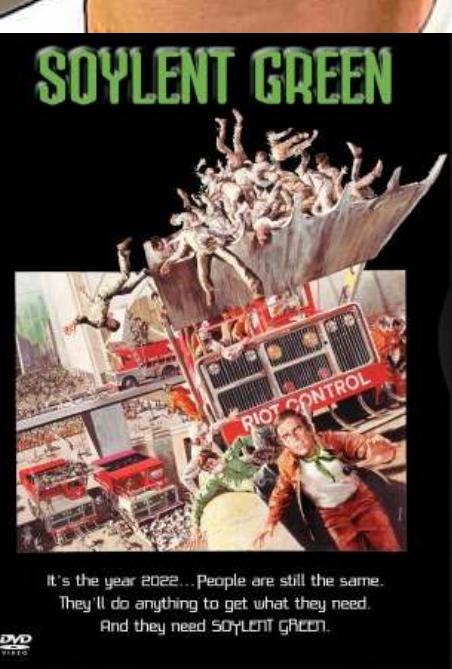
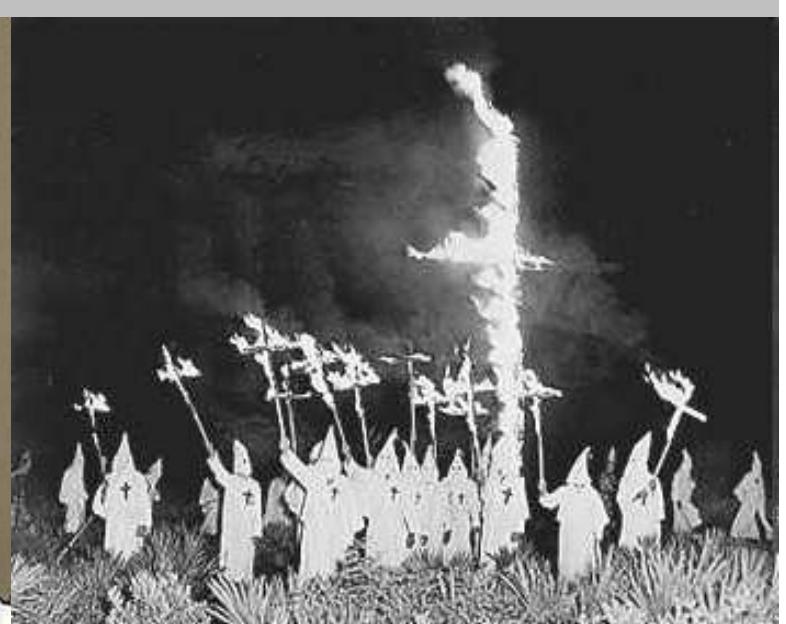
Source: Office of Management & Budget

US Debt Ceiling Increases

Republican President Democrat President Debt Ceiling

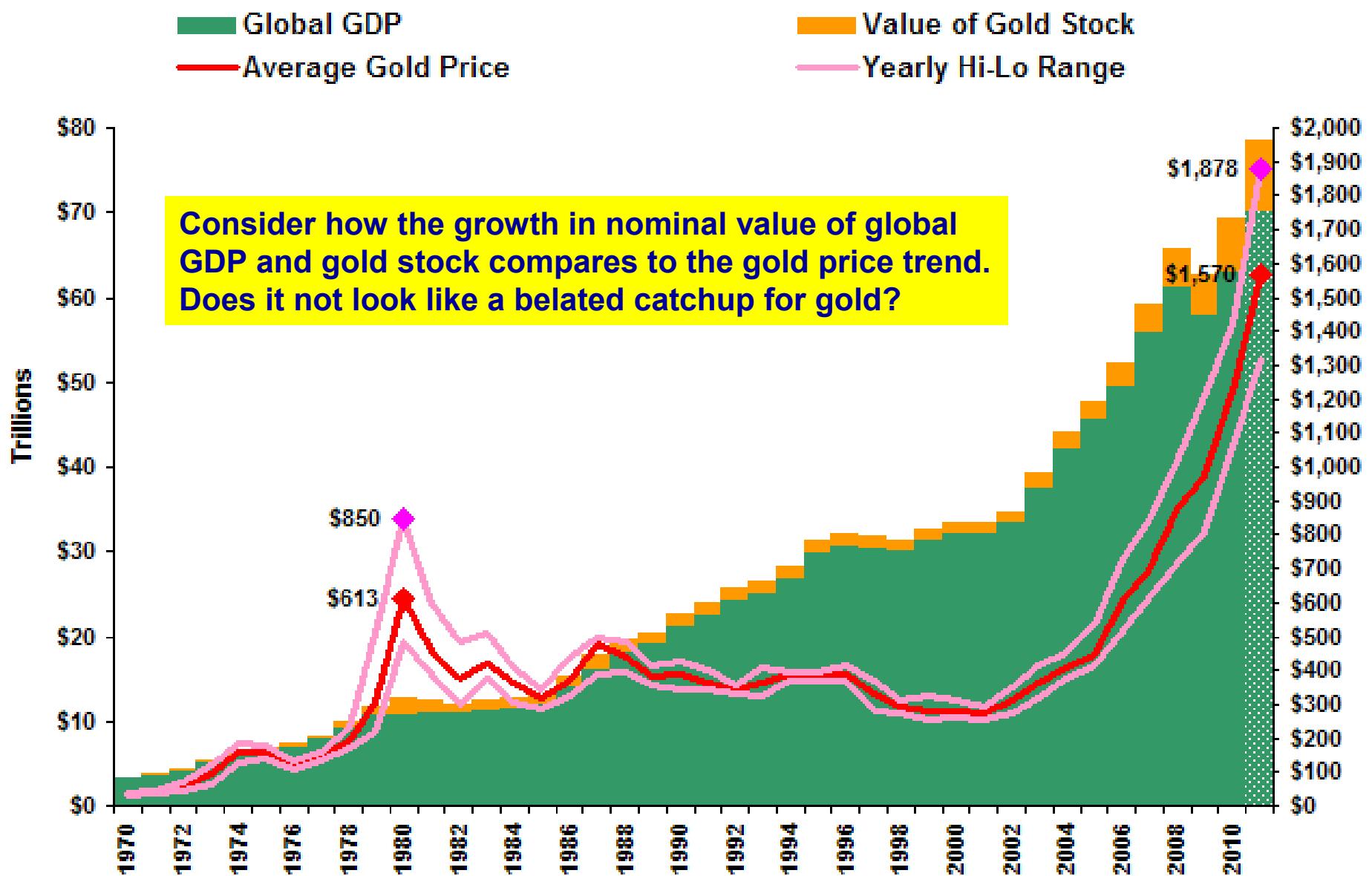


How will our children react to a skewed age of austerity?



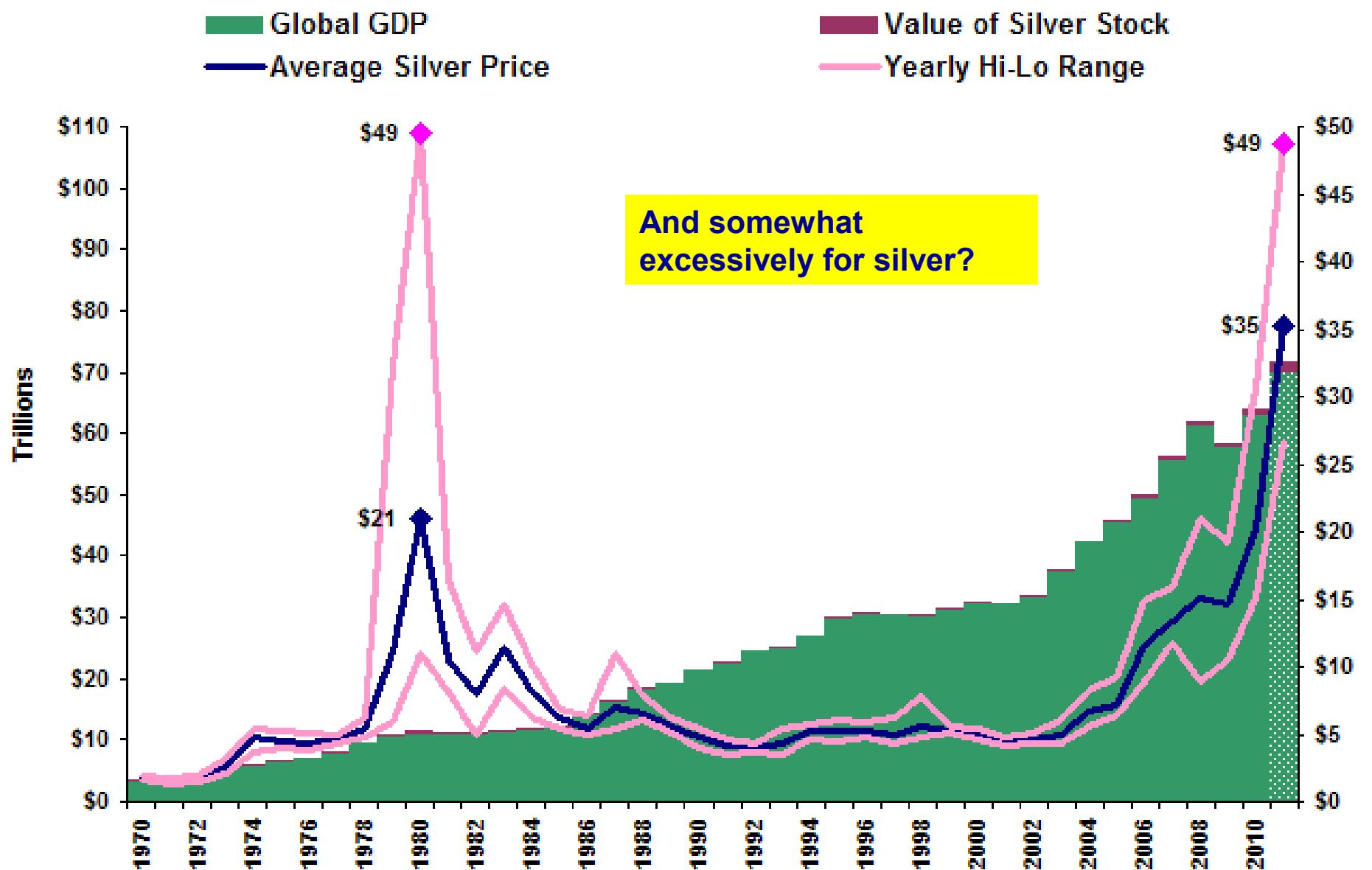
Relationship between Global GDP and Value of Existing Gold Stock

(2011 GDP & Mine Supply estimated - \$1,553/oz average)



Relationship between Global GDP and Value of Existing Silver Stock

(2011+ GDP & Mine Supply estimated)



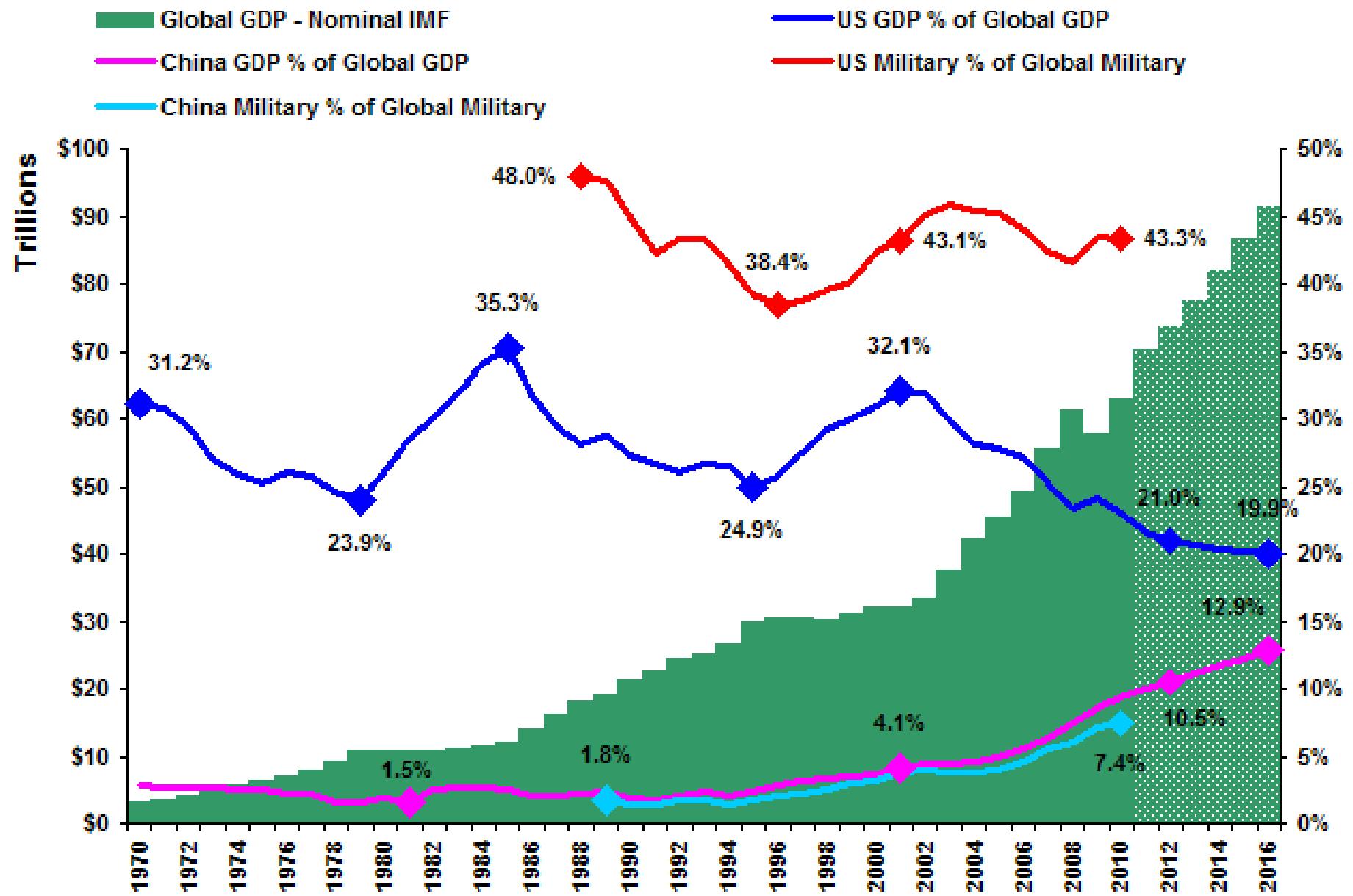
Source: CPM, IMF, World Bank

March 2012

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US & China Relative Percentage of Global GDP & Military Spending

(2011-2016 GDP estimates by IMF)



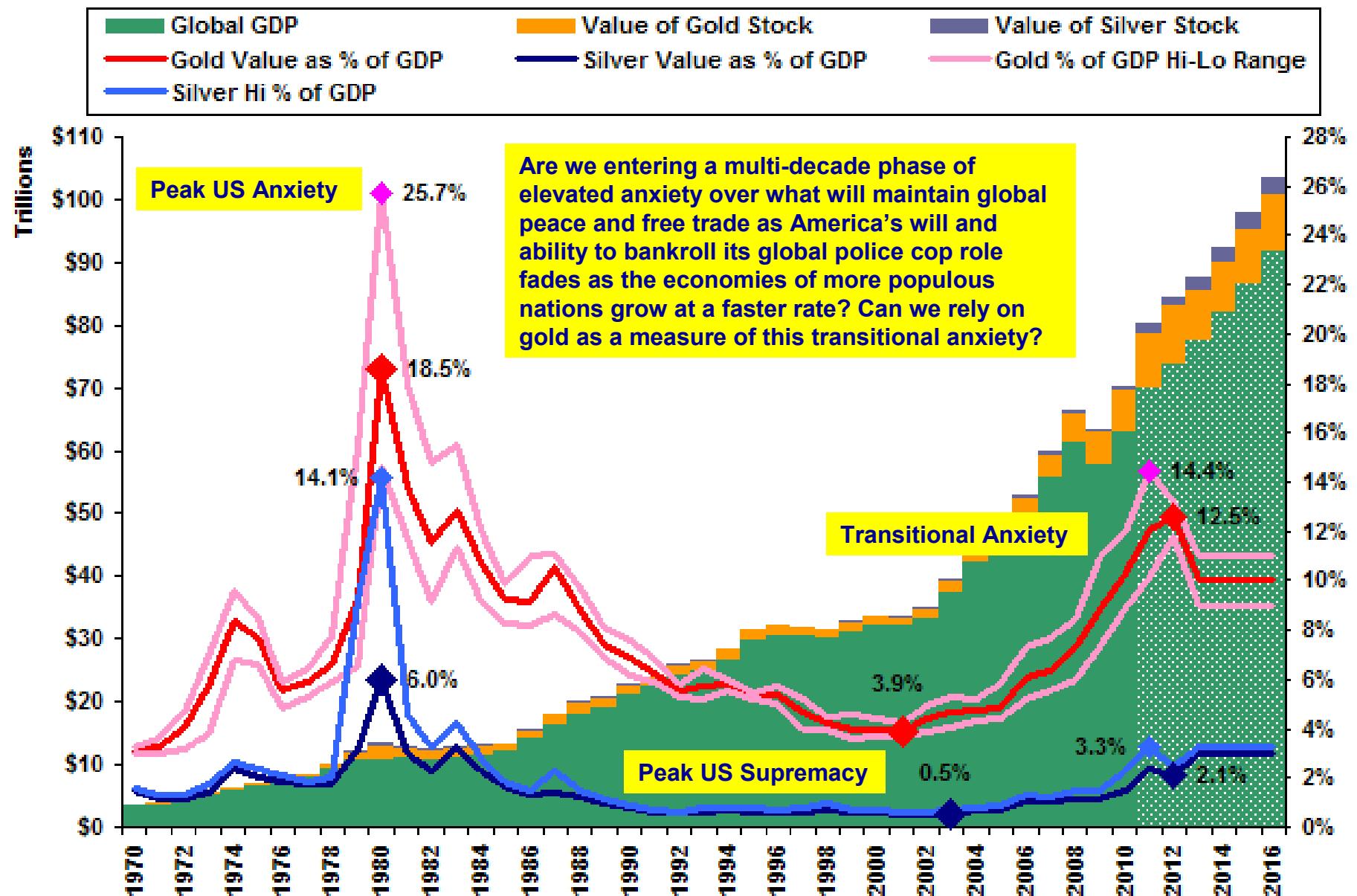
Source: IMF, SIPRI, World Bank

March 2012

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Relationship between Global GDP and Value of Existing Gold & Silver Stock

(2011 GDP & Mine Supply estimated - Au \$1,570/oz Ag \$35/oz average)



Relationship between Global GDP and Value of Existing Gold Stock

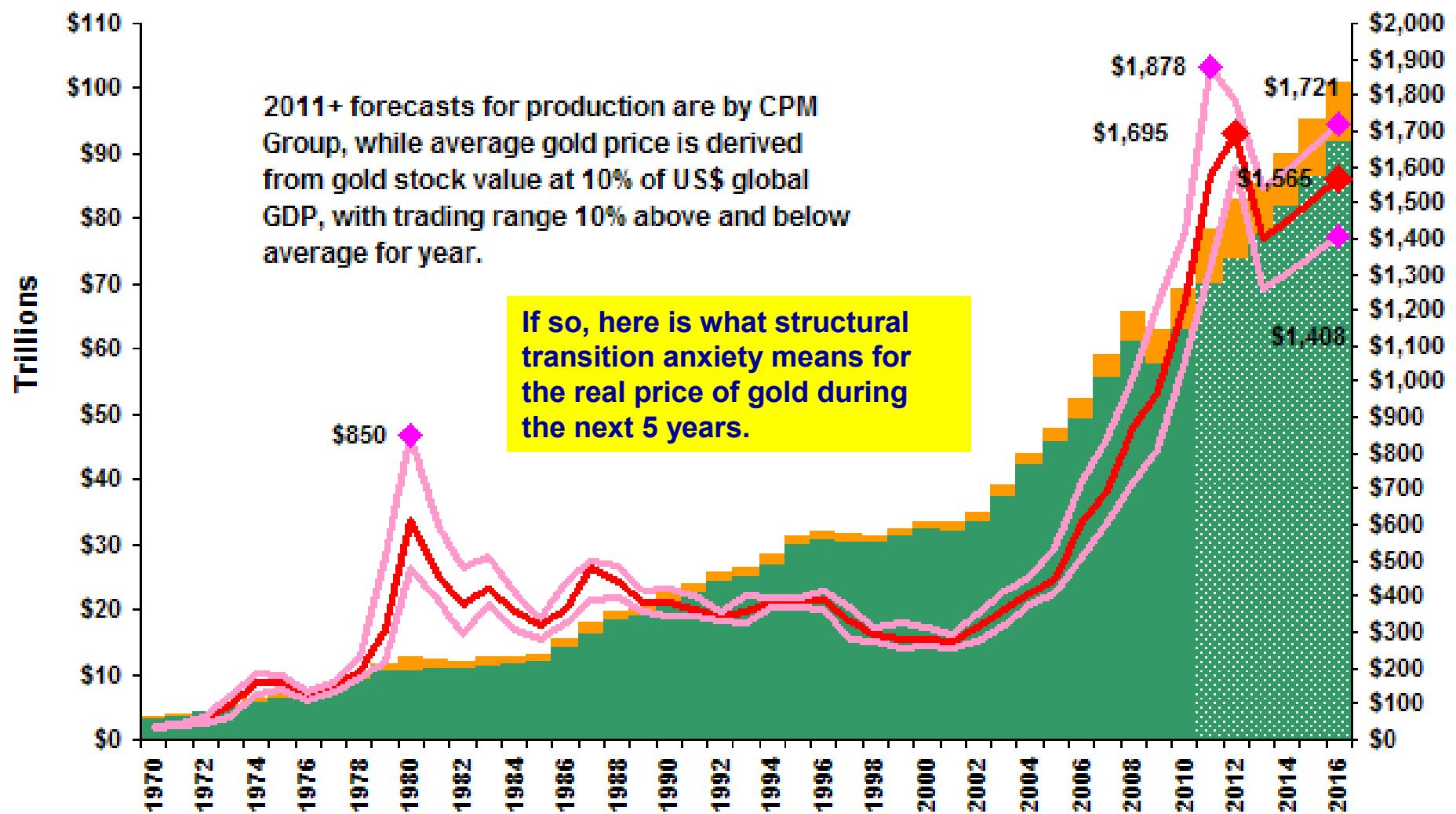
(2011 GDP & Mine Supply estimated - \$1,570/oz average)

Global GDP

Average Gold Price

Value of Gold Stock

Yearly Hi-Lo Range



Relationship between Global GDP and Value of Existing Silver Stock

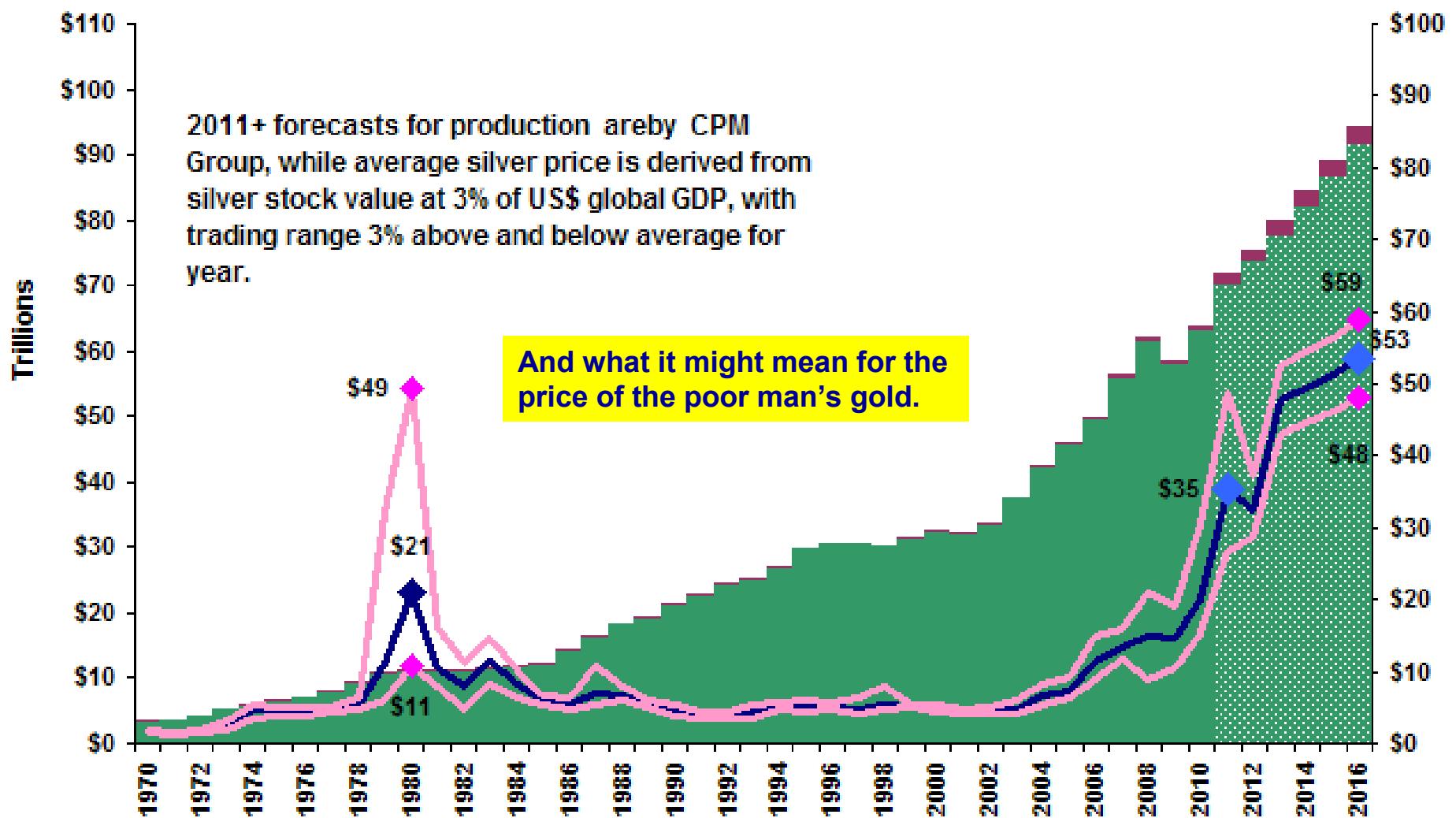
(2011+ GDP & Mine Supply estimated)

Global GDP

Average Silver Price

Value of Silver Stock

Yearly Hi-Lo Range



Past Peak & Bottom Based Bubble & Bear Limits for Gold

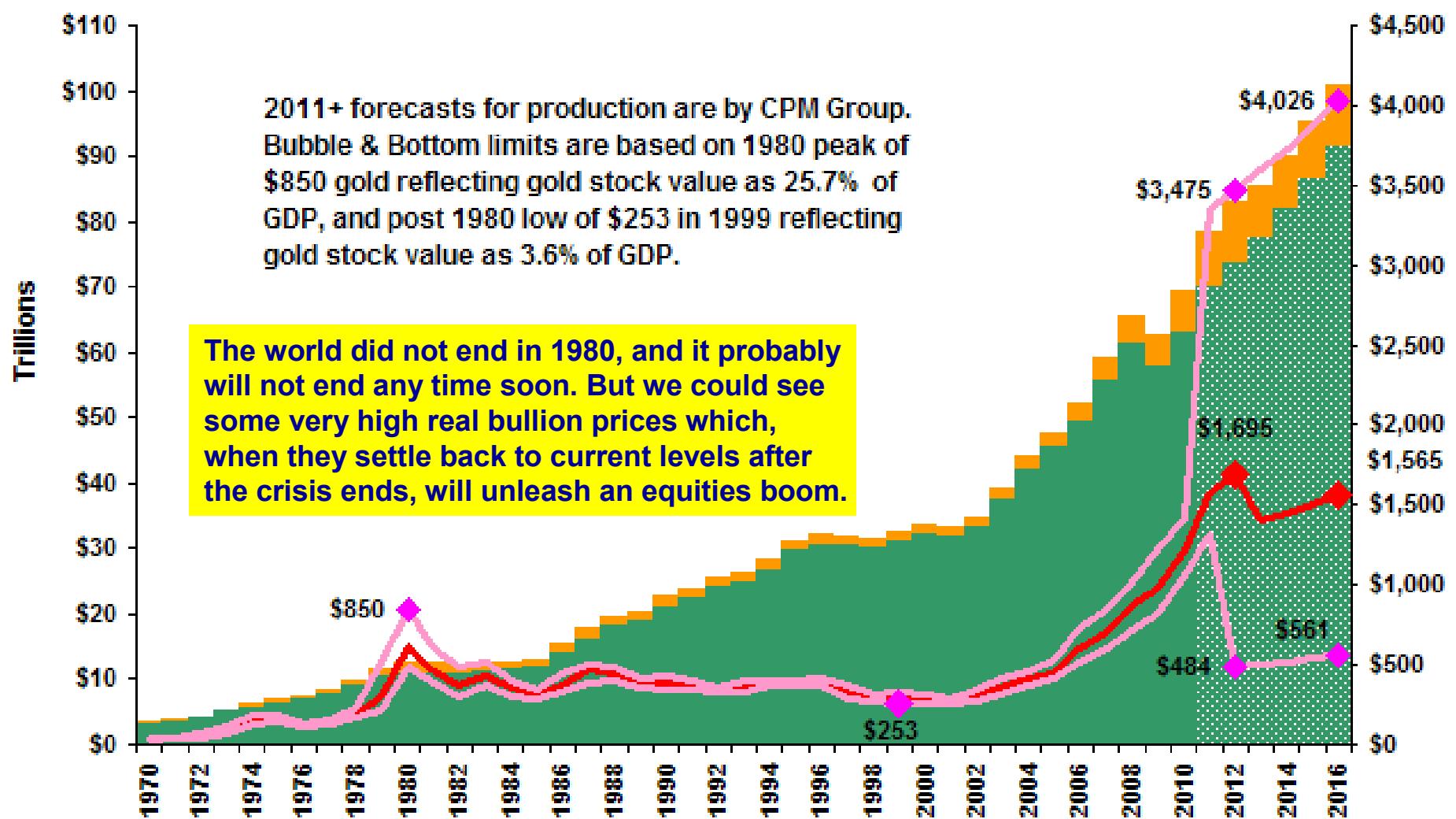
(2011 GDP & Mine Supply estimated - \$1,570/oz average)

Global GDP

Value of Gold Stock

Average Gold Price

Yearly Hi-Lo Range

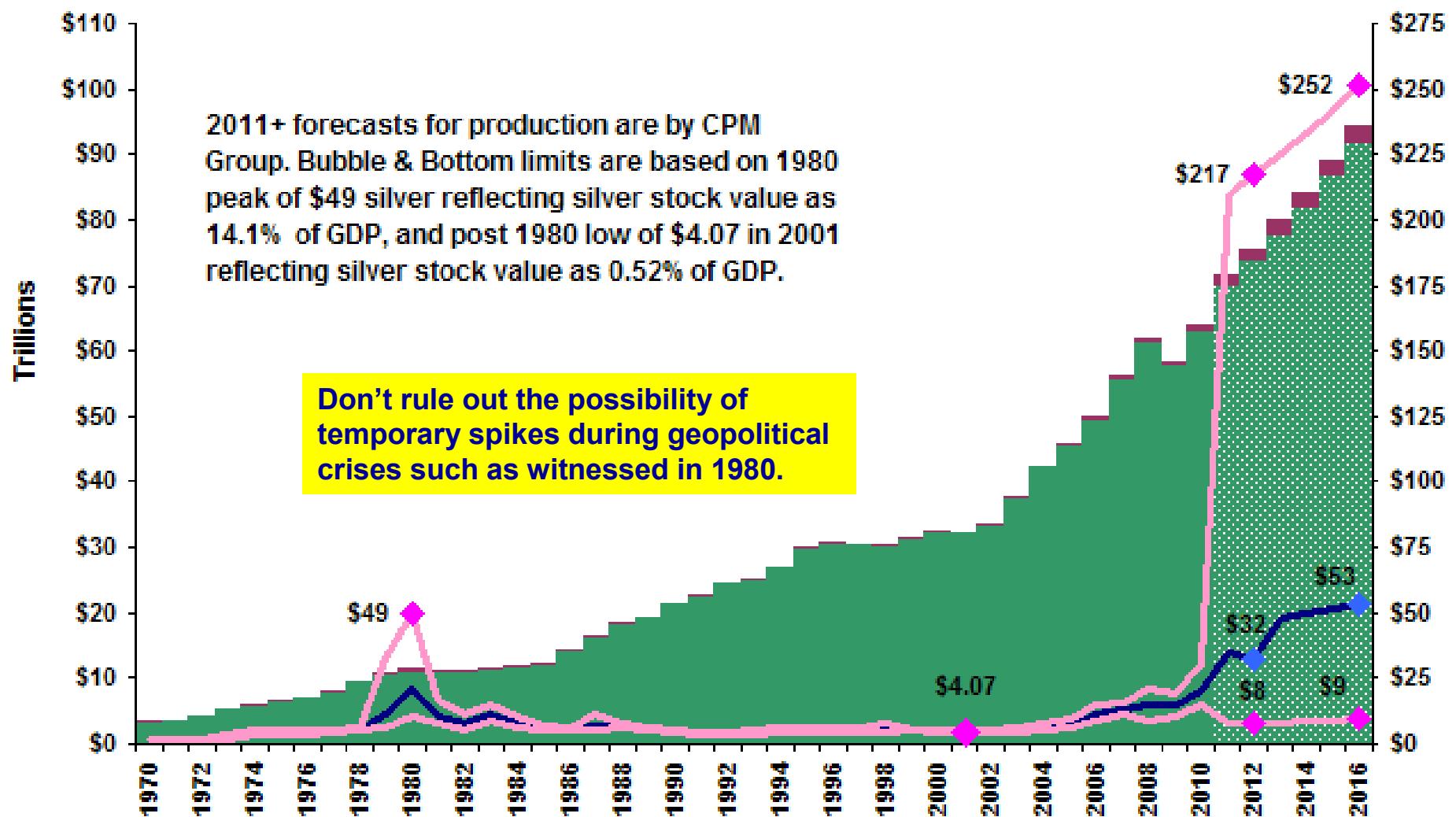


Past Peak & Bottom Based Bubble & Bear Limits for Silver

(2011+ GDP & Mine Supply estimated)

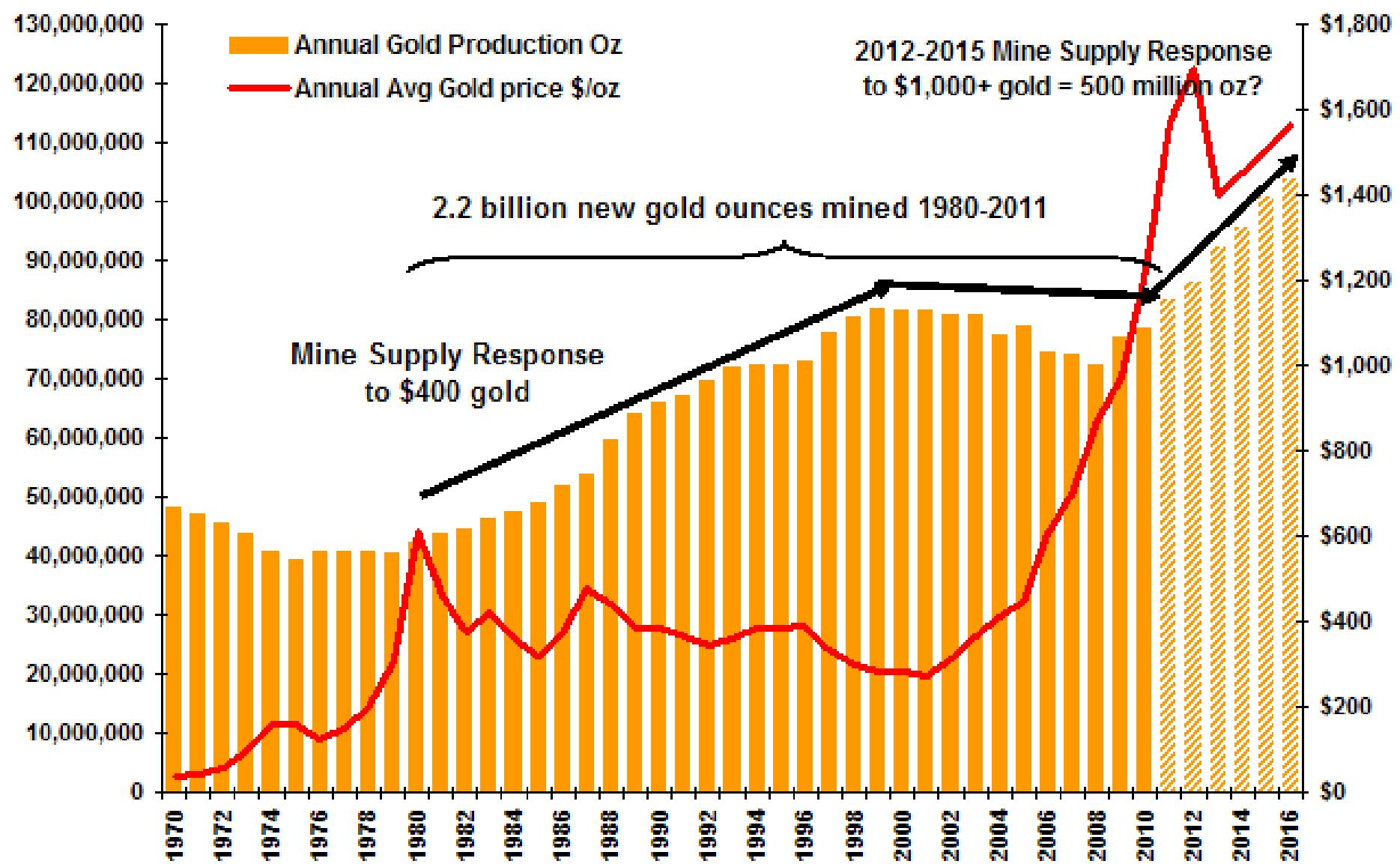
Global GDP
Average Silver Price

Value of Silver Stock
Yearly Hi-Lo Range



Annual Mine Supply - Gold Ounces

(2.2 billion oz added to 3.2 billion oz stock from 1980-2011, 2011+ CPM projections)



Source: CPM

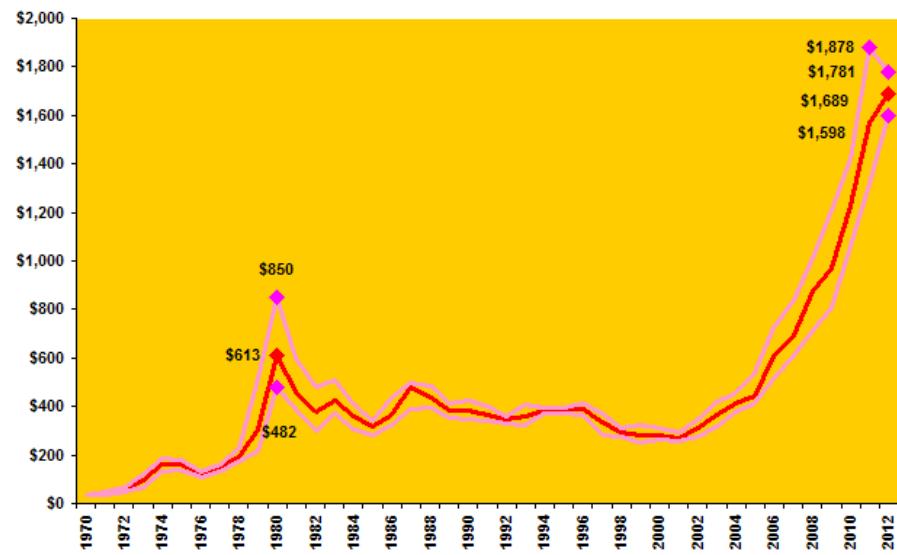
March 2012

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Annual Average Gold Price with High-Low Range

Average Gold Price

Yearly Hi-Lo Range



Source: CPM, IMF, World Bank

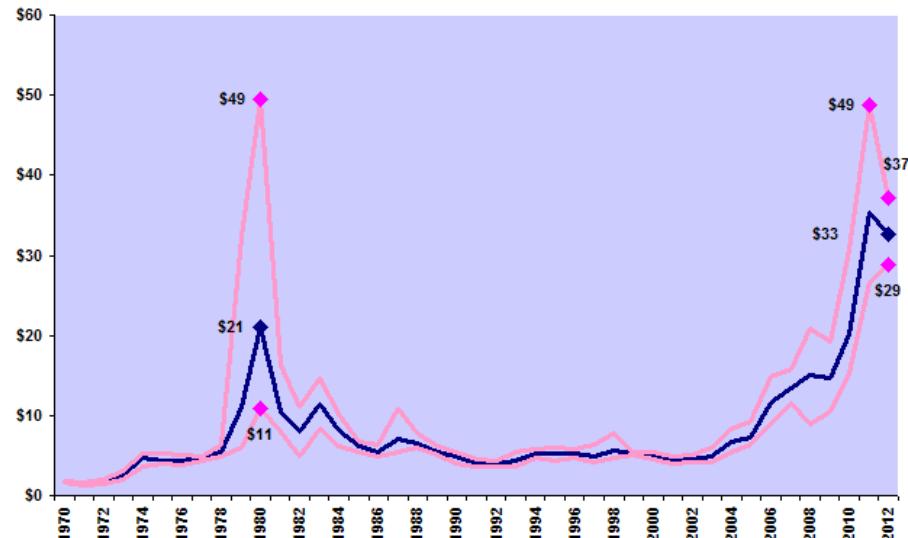
March 2012

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Annual Average Silver Price with High-Low Range

Average Silver Price

Yearly Hi-Lo Range



Source: CPM, IMF, World Bank

March 2012

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If it looks like a bubble, then how can it not be a bubble?

It's not about the collapse of fiat currencies and the end of America.

It's about the relative, not absolute, decline entailed for America by a global economy whose growth is driven by emerging economies such as China.

It's about fear over the instability that this transition will bring to the world.

Skyrocketing gold & silver reflect a looming crisis for global supply channels that requires us to think in terms of security of supply.

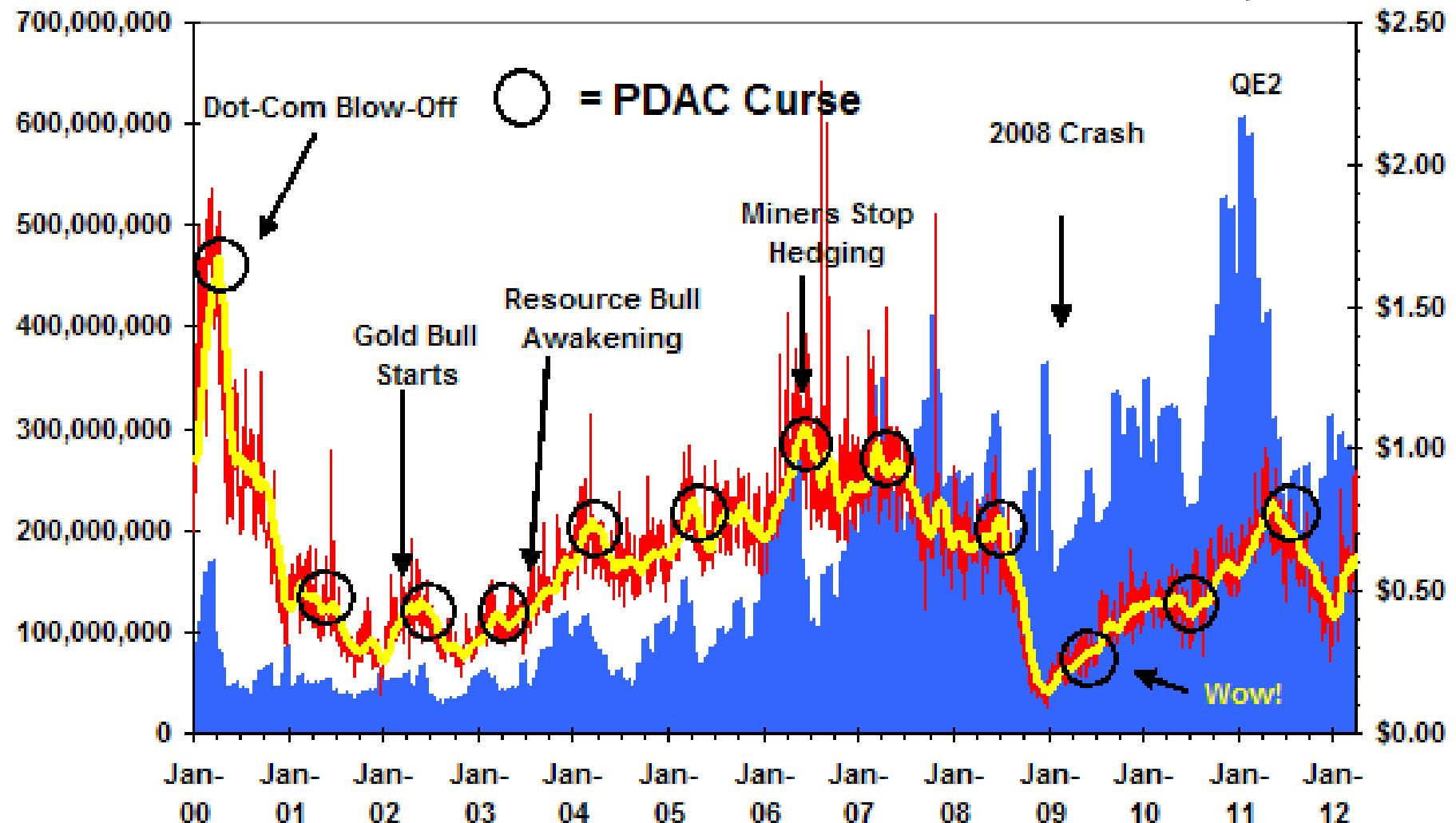
Because it is a delayed adaptation to a new reality brought about by globalization and the end of the Cold War.

Daily TSXV Volume and Average Trading Share Price



Volume — Average Share Price — 30 Day Average Price

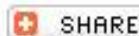
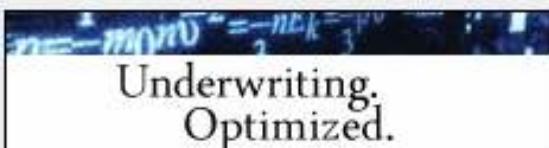
March 27, 2012



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



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DAILY NEWS Dec 7, 2011 11:02 AM - 0 comments

An alternative narrative for gold and silver

By: John Kaiser

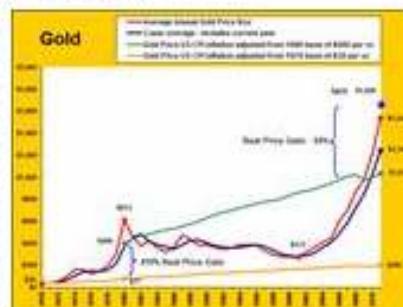
2011-12-07

Gold and silver companies, be they producers or ounce-in-the-ground developers, have lagged the recent rise in gold and silver bullion prices to record levels, confounding expectations of a long-awaited precious metals equity market boom. Cash-flow multiples are low for producers as though current cash-flow levels are not sustainable, and development juniors are trading at discounted cash-flow-based valuations that reflect significantly lower three-year trailing average bullion prices currently at US\$1,246 per oz. for gold and US\$24 per oz. for silver. What underlies the market's reluctance

TEXT SIZE



Photos



Larger photo & full caption

File size: 16.1 KB (655px X 493px)

Caption: Figure 1: The recent 64% real gain in the price of gold...

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