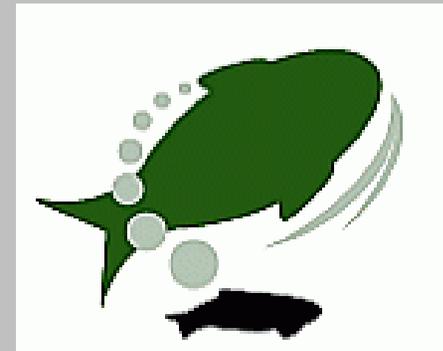


# 2013 World Resource Investment Conference

Vancouver, Canada

May 26, 2013

Presented by John Kaiser



**Keynote: Adapting to New  
Realities**

[www.KaiserResearch.com](http://www.KaiserResearch.com)

LME Copper \$/lb



## Unanswered Questions

- Has China stabilized at 7%-8% growth rate, or is an implosion on the horizon that will drag down raw material demand?
- Which is better for metals, Abenomics or Merkelomics?
- Would the revival of the US economy help or hurt gold?
- If the apocalyptic gold bug narrative is dead, need gold and silver also be dead?
- How long can the junior resource sector survive if the latest Goldman Sachs target of \$1,100 gold is reached?
- Would gold challenging \$2,000 be enough to save the junior resource sector from extinction?

Gold \$/oz

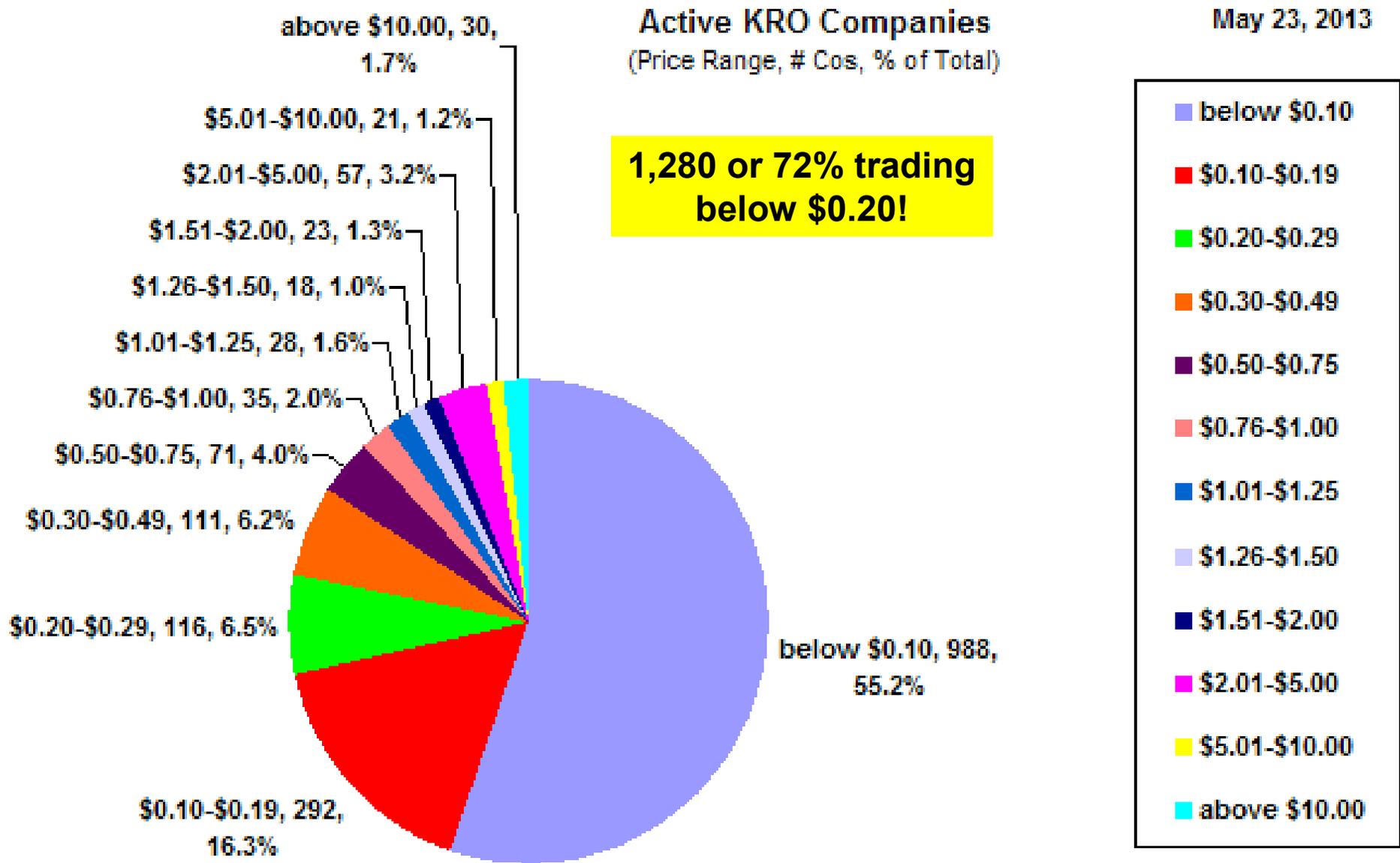


# 1,790 Price Range Breakdown

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

May 23, 2013

**1,280 or 72% trading below \$0.20!**





# KRO Price Range - Working Capital Distribution

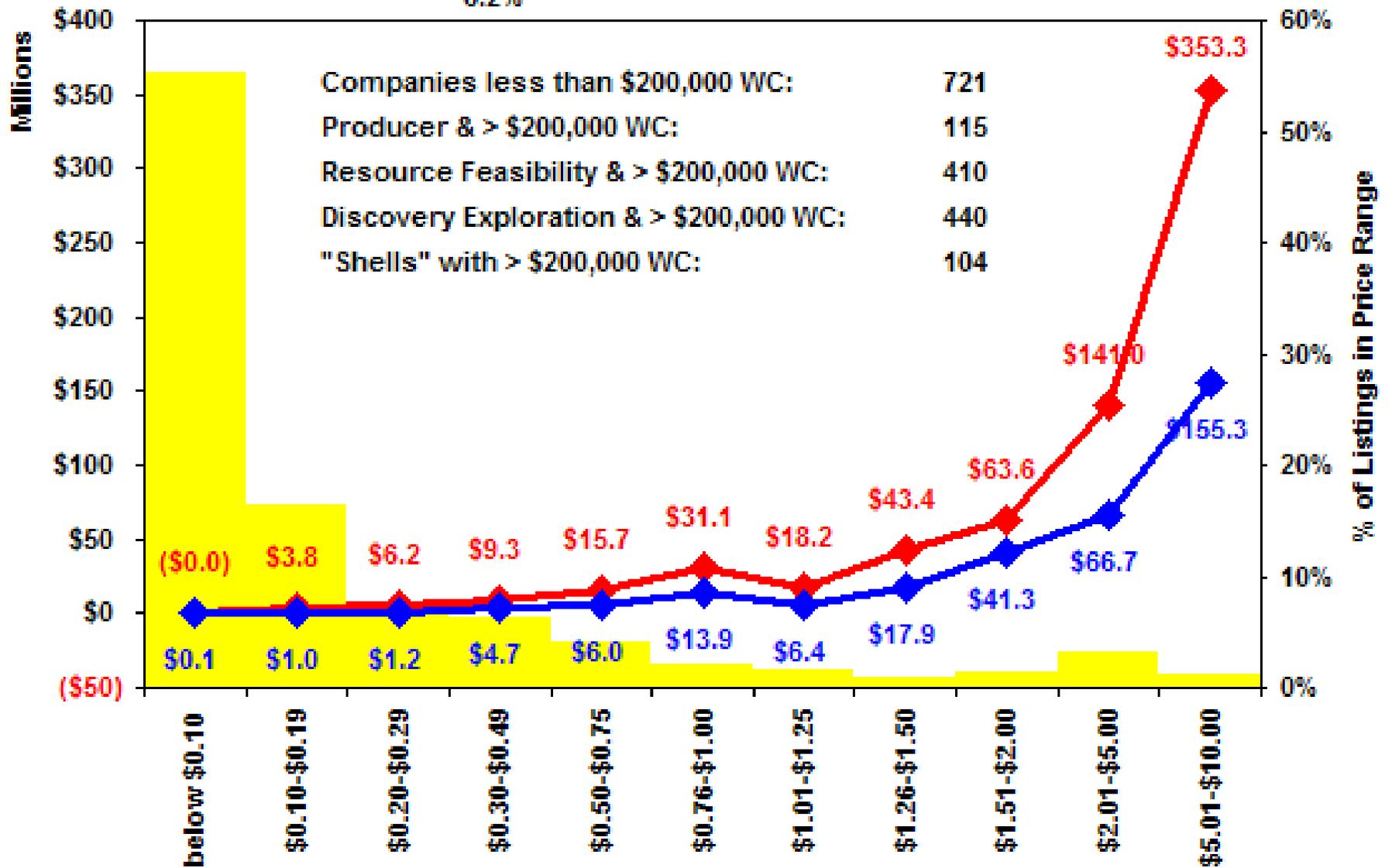
■ % of Listings

◆ Avg Working Capital

◆ Median Working Capital

1,790 All Companies as of May 23, 2013

55.2% 16.3% 6.5% 6.2% 4.0% 2.0% 1.6% 1.0% 1.3% 3.2% 1.2%

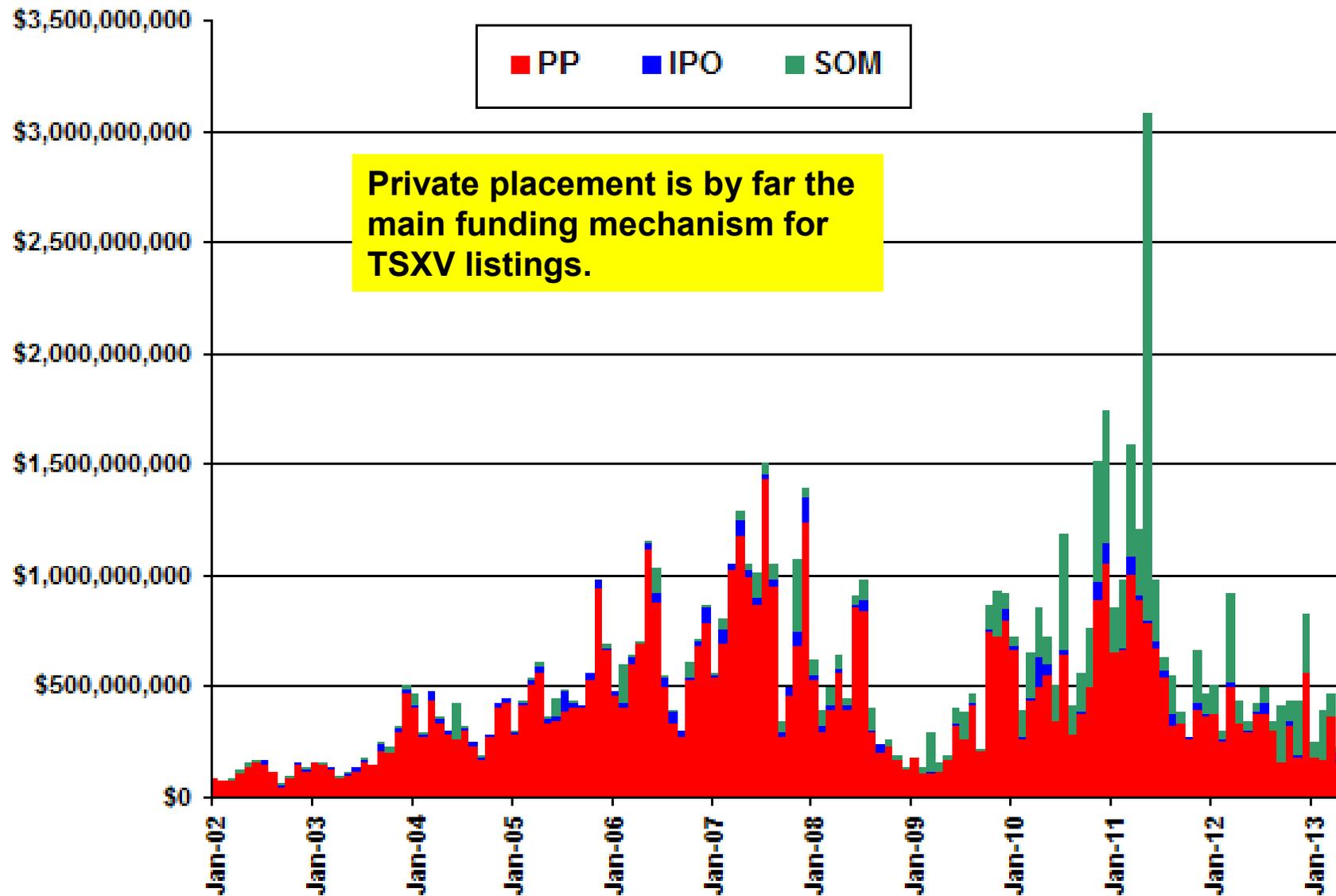


Companies less than \$200,000 WC: 721  
 Producer & > \$200,000 WC: 115  
 Resource Feasibility & > \$200,000 WC: 410  
 Discovery Exploration & > \$200,000 WC: 440  
 "Shells" with > \$200,000 WC: 104

# 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

## Monthly Value of TSXV Financings



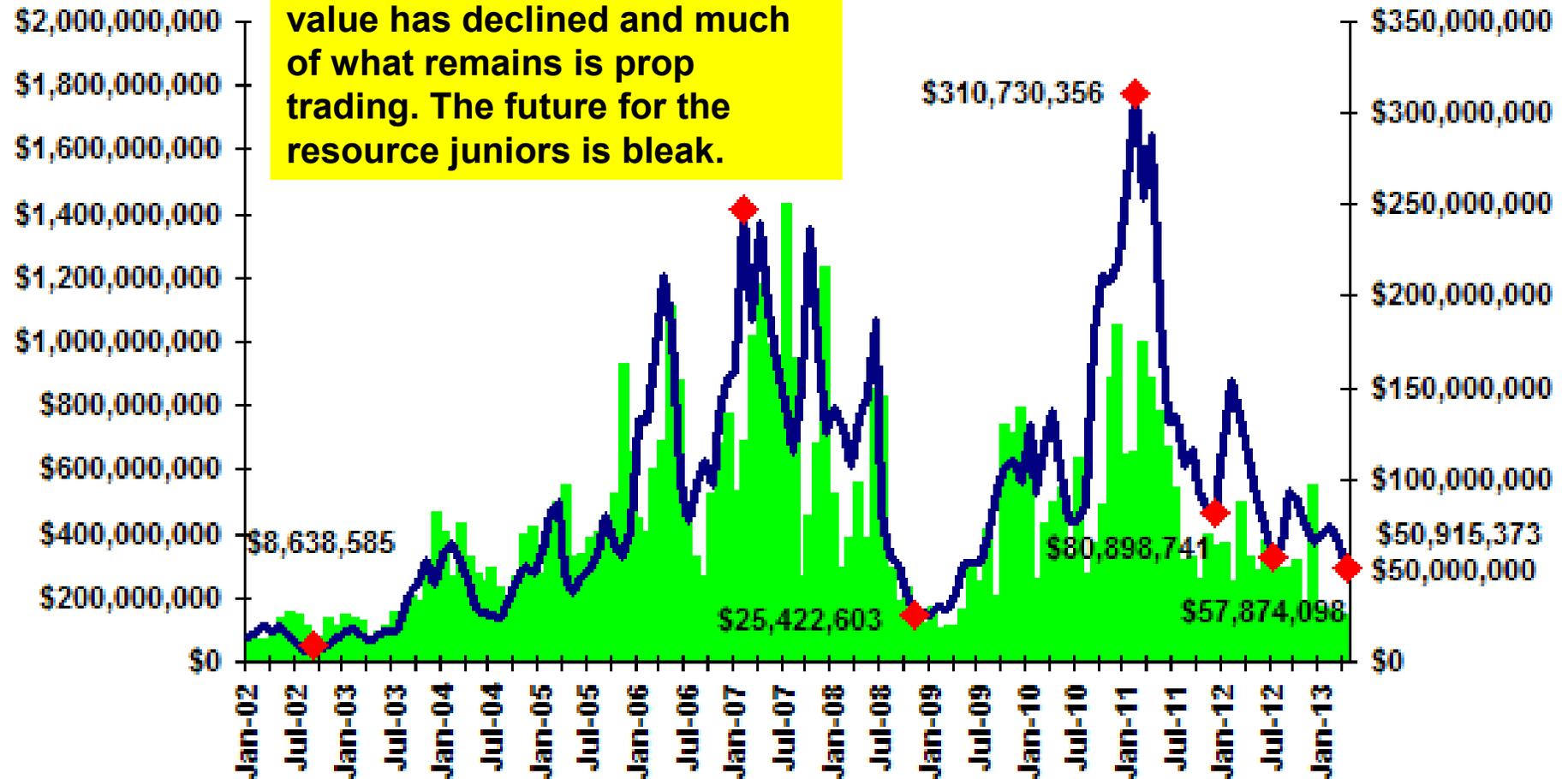
# TSXV Private Placement Activity

**\$57.2 billion raised / \$260 billion traded**

PP Value

Avg Daily Trade Value

Funding has dried up. Trading value has declined and much of what remains is prop trading. The future for the resource juniors is bleak.



■ Monthly Value of Financings  
— Average Daily Value Traded per Month

April 2013

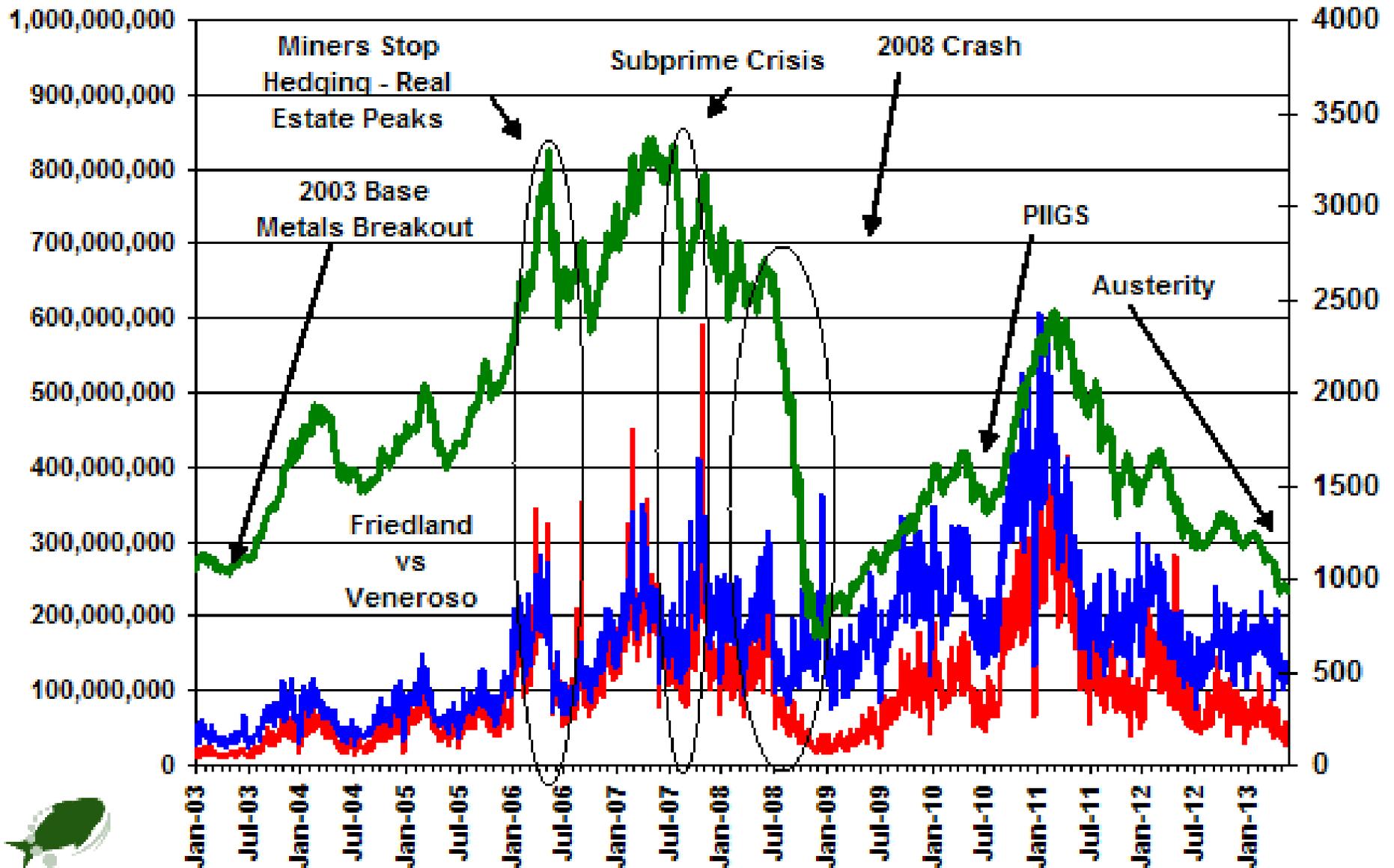
## **New Realities at the Industry Level**

- **Brokers as a gateway between investor capital and corporate treasuries disappearing through regulatory changes such as the “client relationship model” and a banking establishment shift to “asset management” – move your cash to discount brokers and take responsibility for your decisions.**
- **Investor capital pools shrinking thanks to accredited investor threshold of \$1 million net worth not counting net equity in real estate – lower it!**
- **Profound ignorance among investors about how to visualize the potential outcome of exploration plays and regulatory hostility to anything that facilitates fundamentals rather than technical speculation – subscribe to KRO.**
- **Brokerage industry accommodation of algorithmic trading and special treatment of proprietary trading accounts – impose a transaction fee.**
- **Elimination of uptick rule so that short-selling can be done on a down-tick – enforce advance borrowing of stock.**
- **Fragmentation and darkening of markets through multiple, unconsolidated order execution platforms that violate first come first serve principle.**
- **Regulatory overkill with regard to publicly listed corporations.**

# Daily TSXV Volume & Value Traded

Value Volume TSXV Index

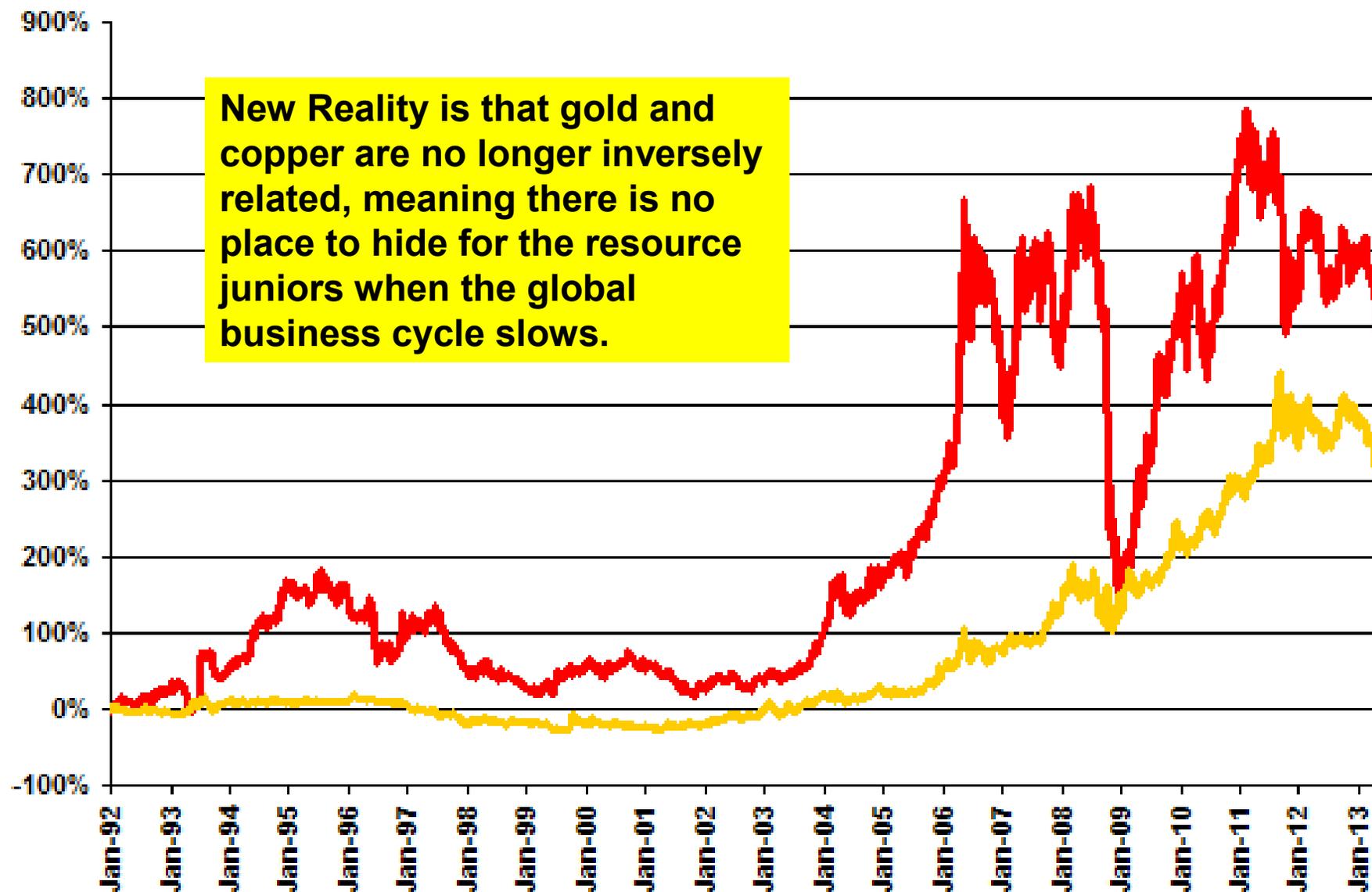
May 23, 2013



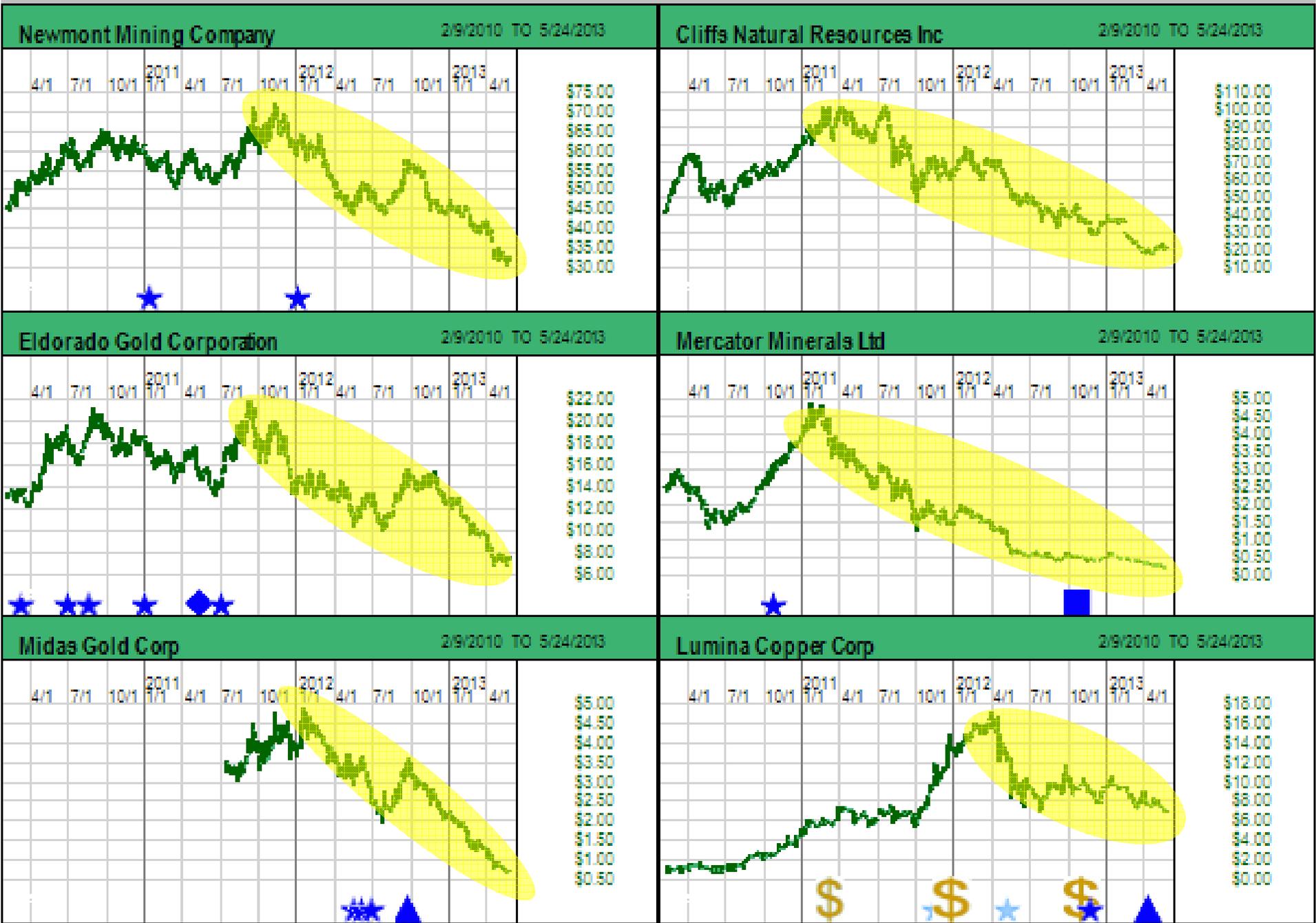
# Gold-Copper Relative Performance

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

Copper  
Gold



# Neither Apocalyptic Gold Bugs nor Super-Cycle Bugs are Winners



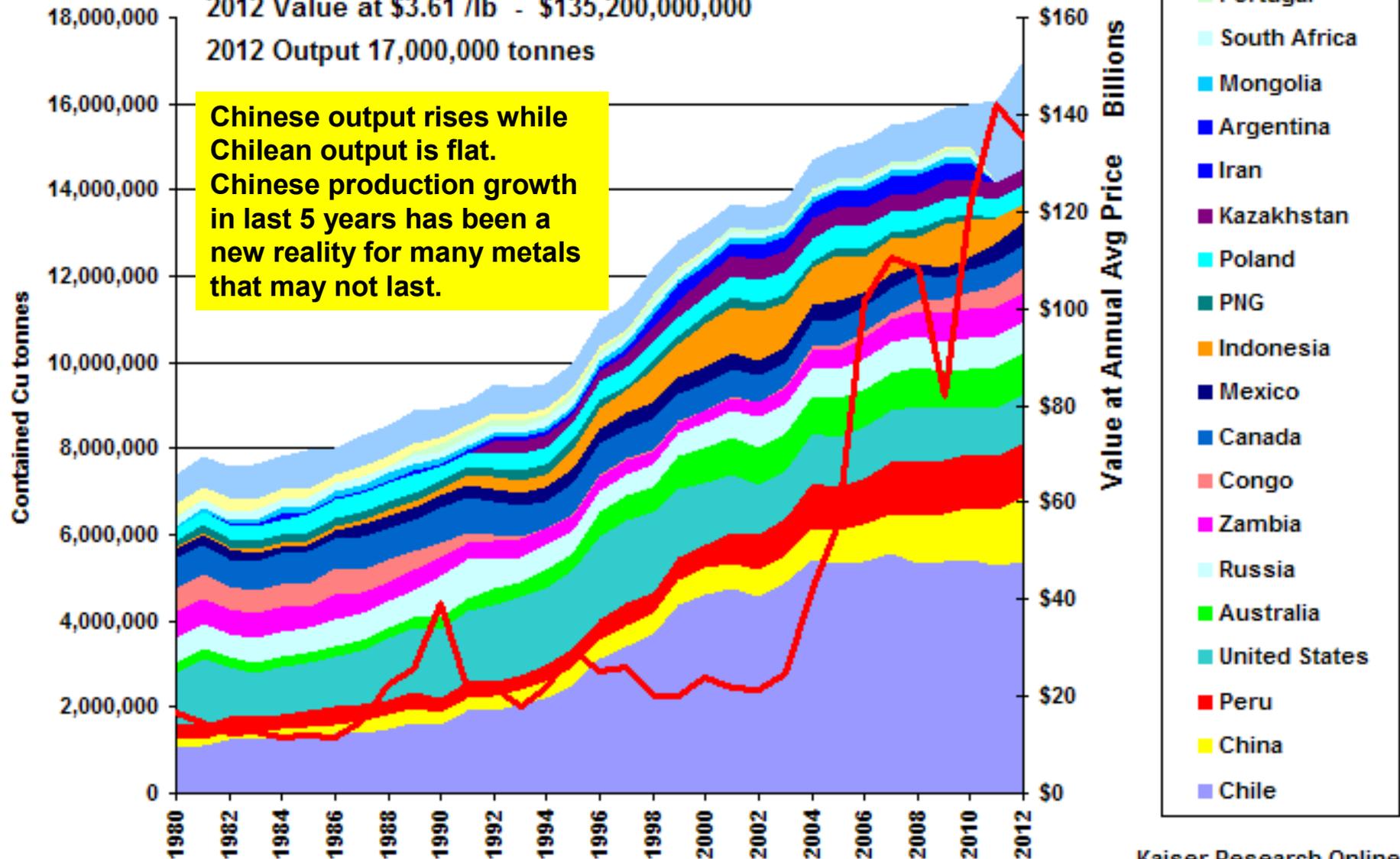


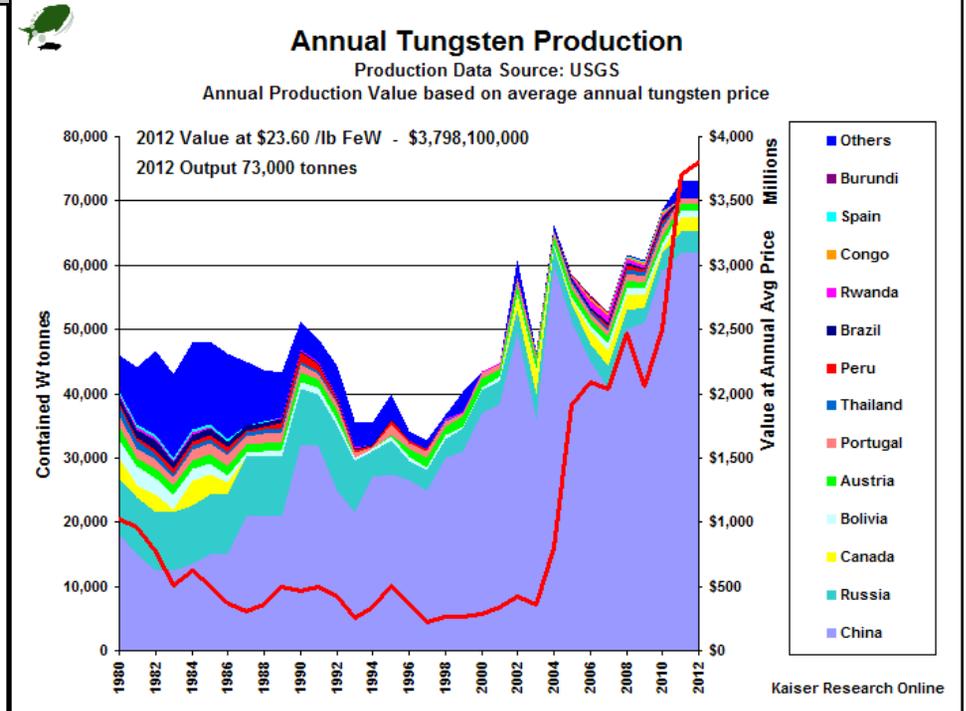
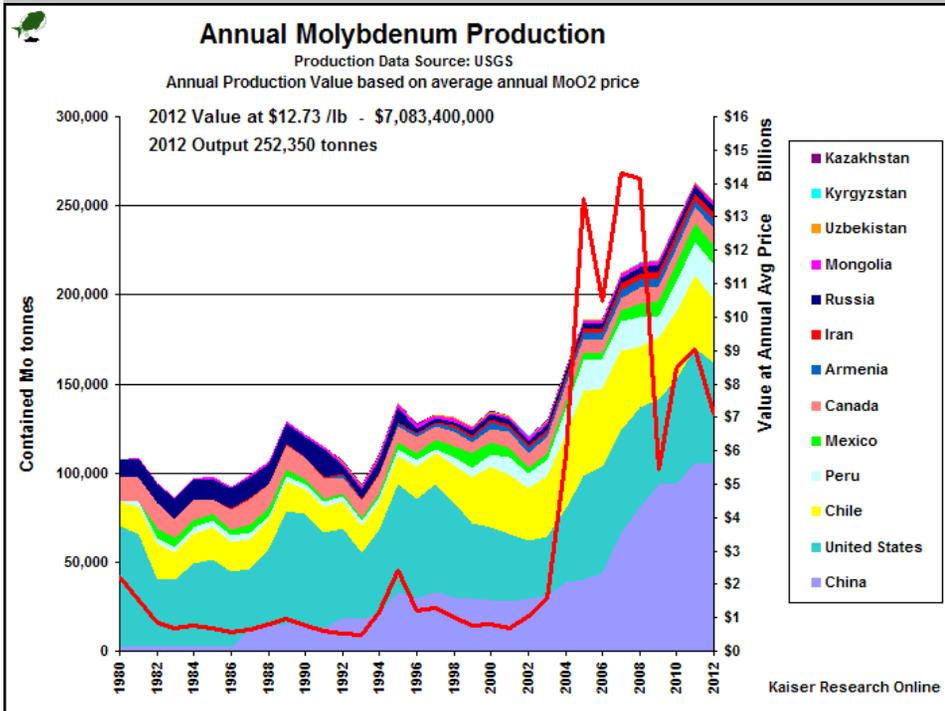
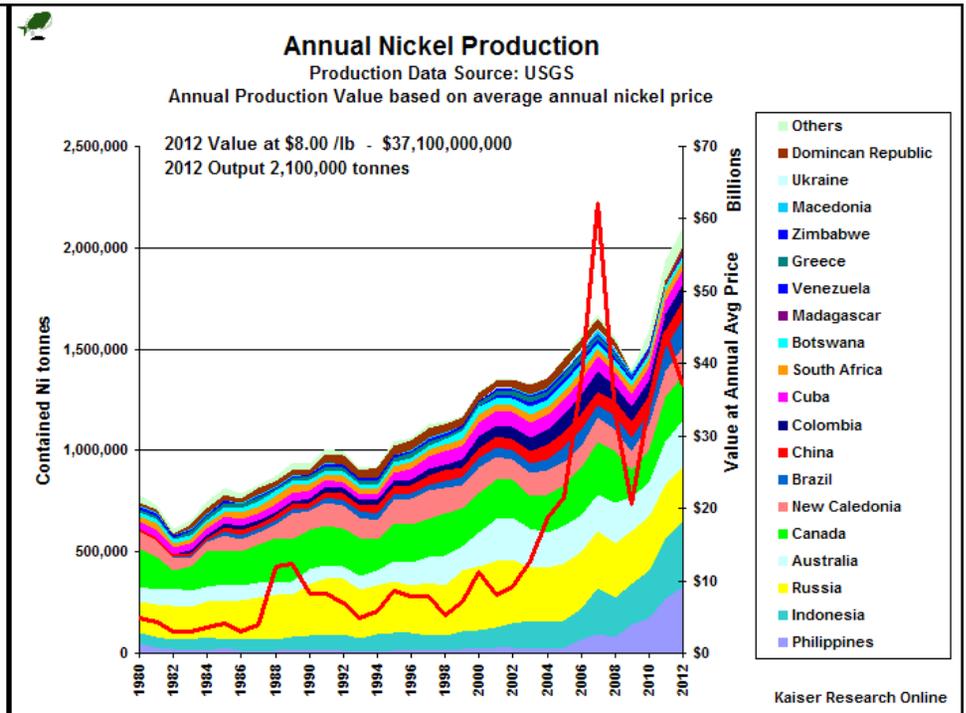
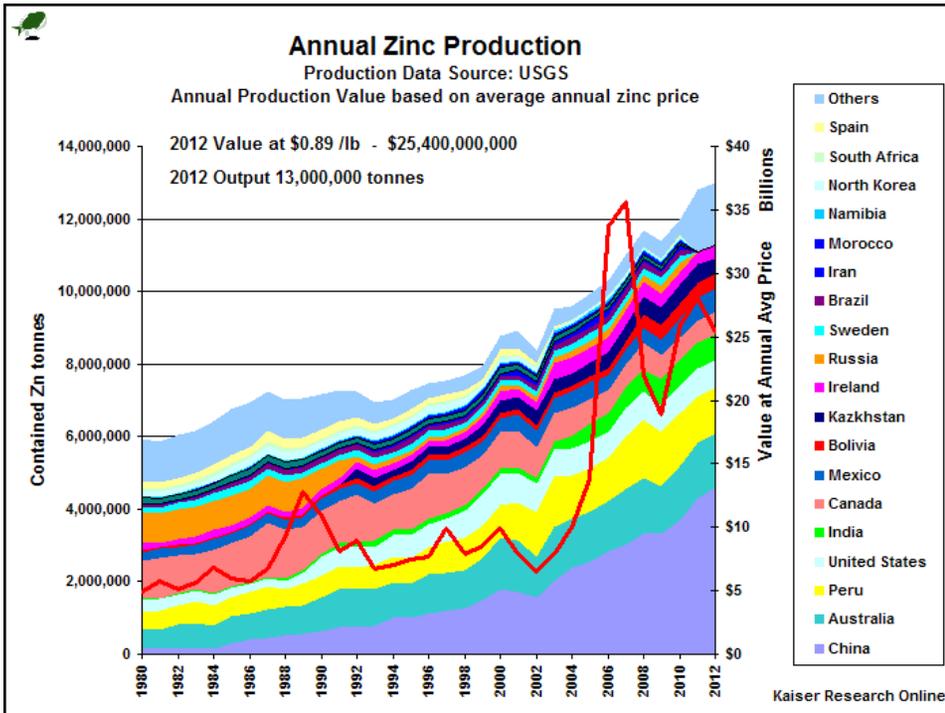
# Annual Copper Production

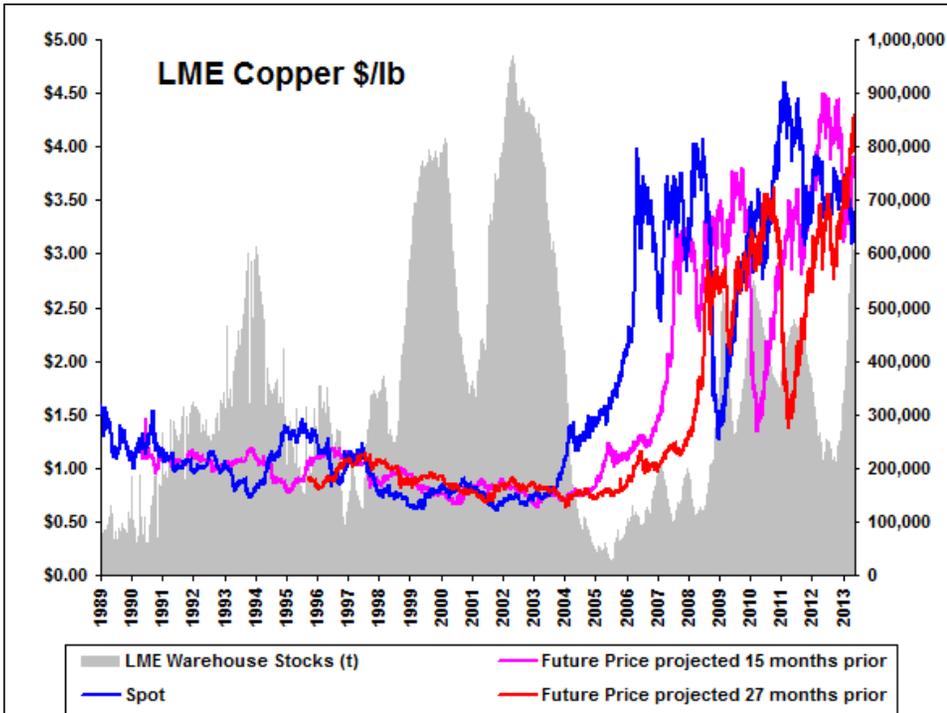
Production Data Source: USGS

Annual Production Value based on average annual copper price

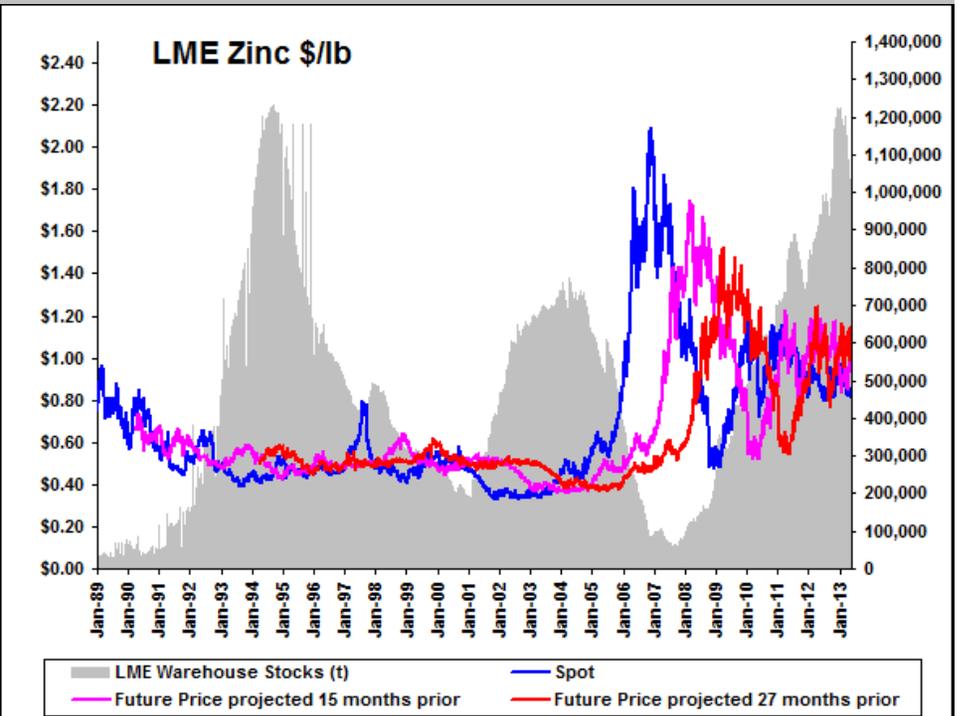
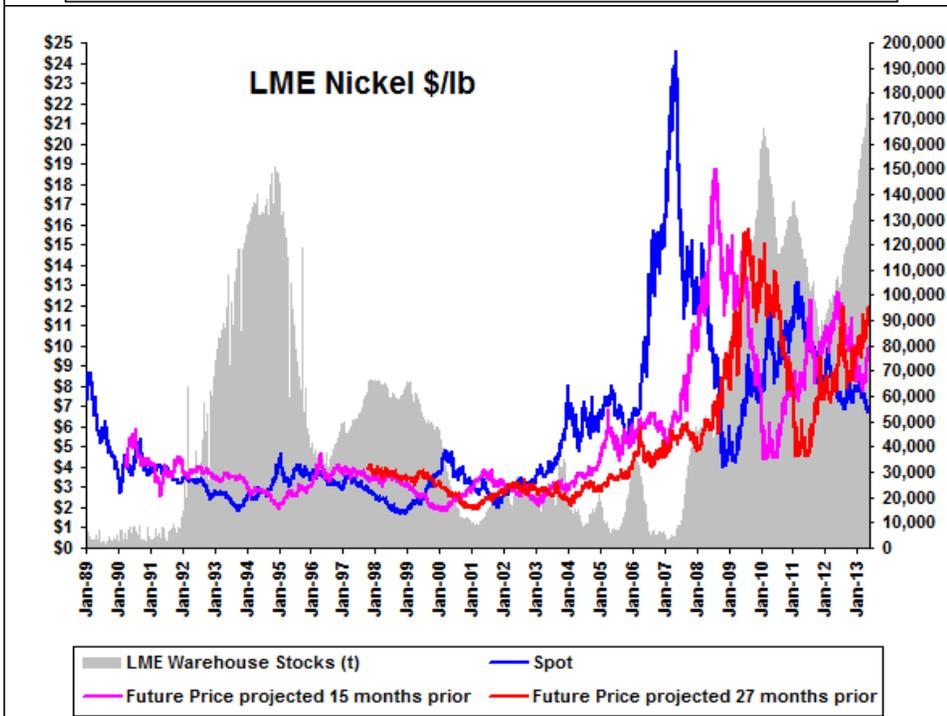
2012 Value at \$3.61 /lb - \$135,200,000,000  
2012 Output 17,000,000 tonnes





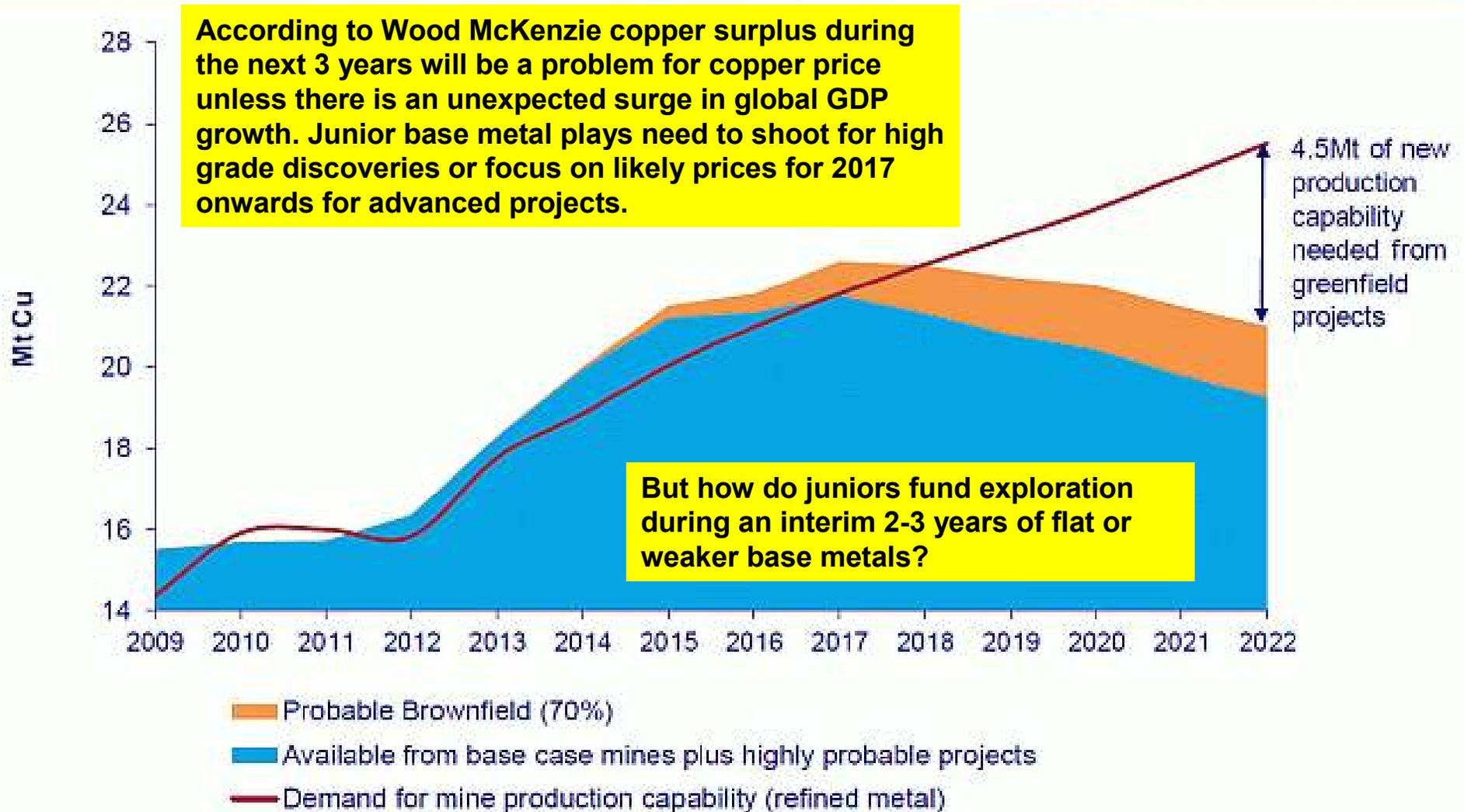


**Warehouse stocks are high compared to historical levels, though not in terms of consumption rates. They could fall sharply if global GDP accelerates, high costs & resource nationalism force shelving of planned non-Chinese mines, and a combination of Chinese depletion and pollution mitigation curtails Chinese supply. The market bias is for mine postponement & against the other two.**





## Demand for mined copper from new greenfield projects

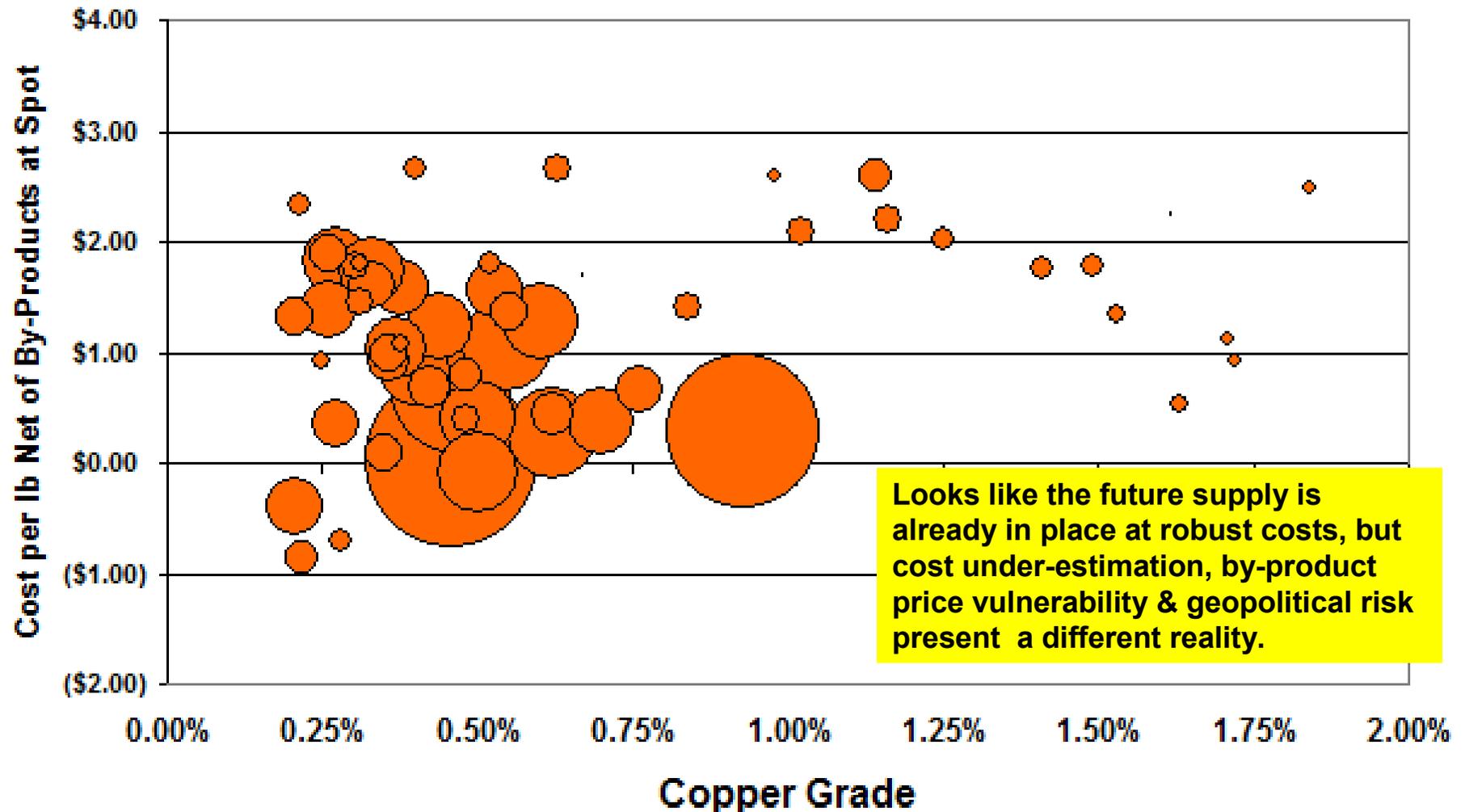


Source Wood Mackenzie

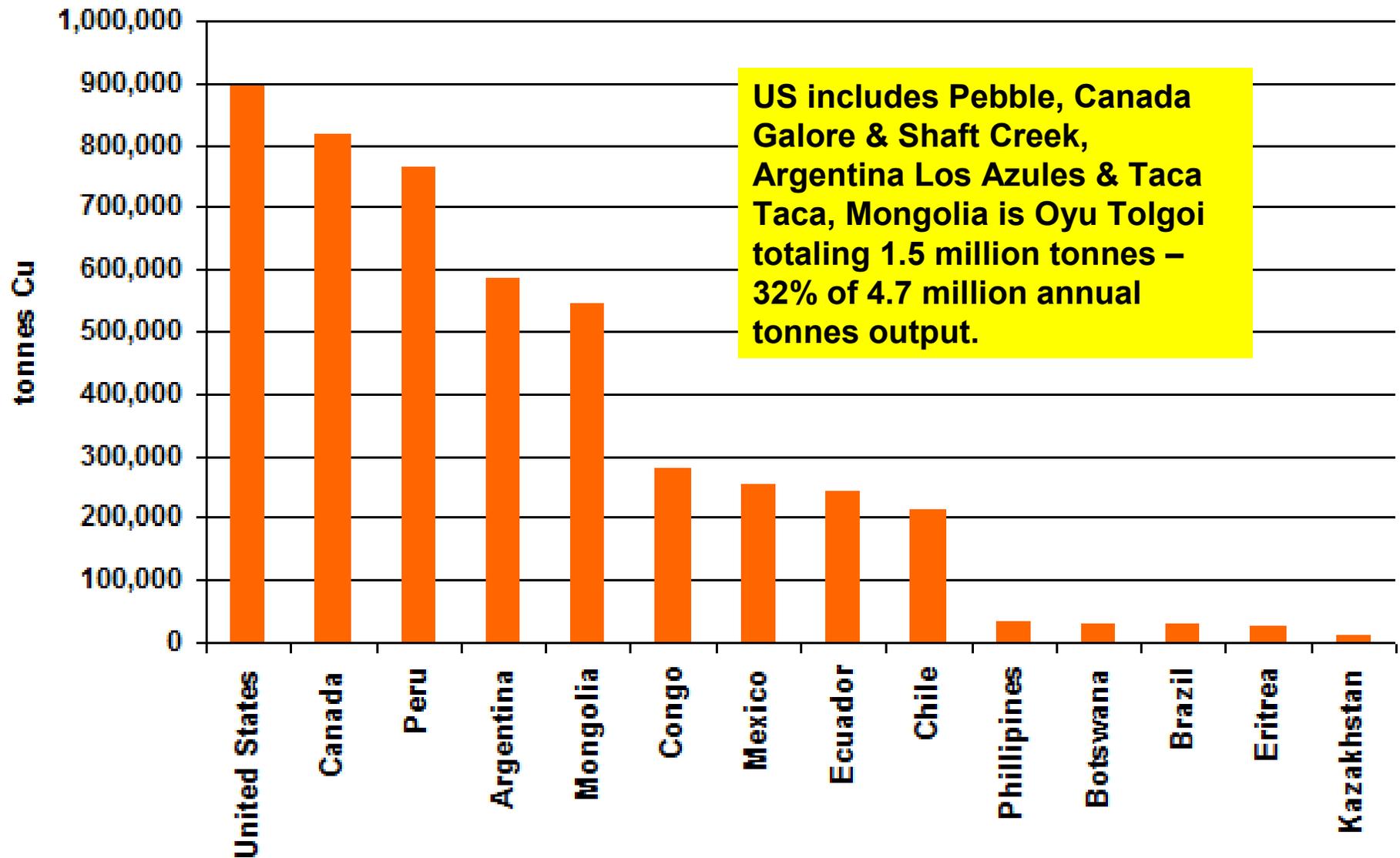
## All-In Cost vs Grade for Undeveloped Copper Deposits

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

Additional Potential Annual Production 4,724,433 tonnes Cu  
(Bubble sizes range 10 M lbs to 1.9 B lbs per 80% cost < \$1.50/lb)

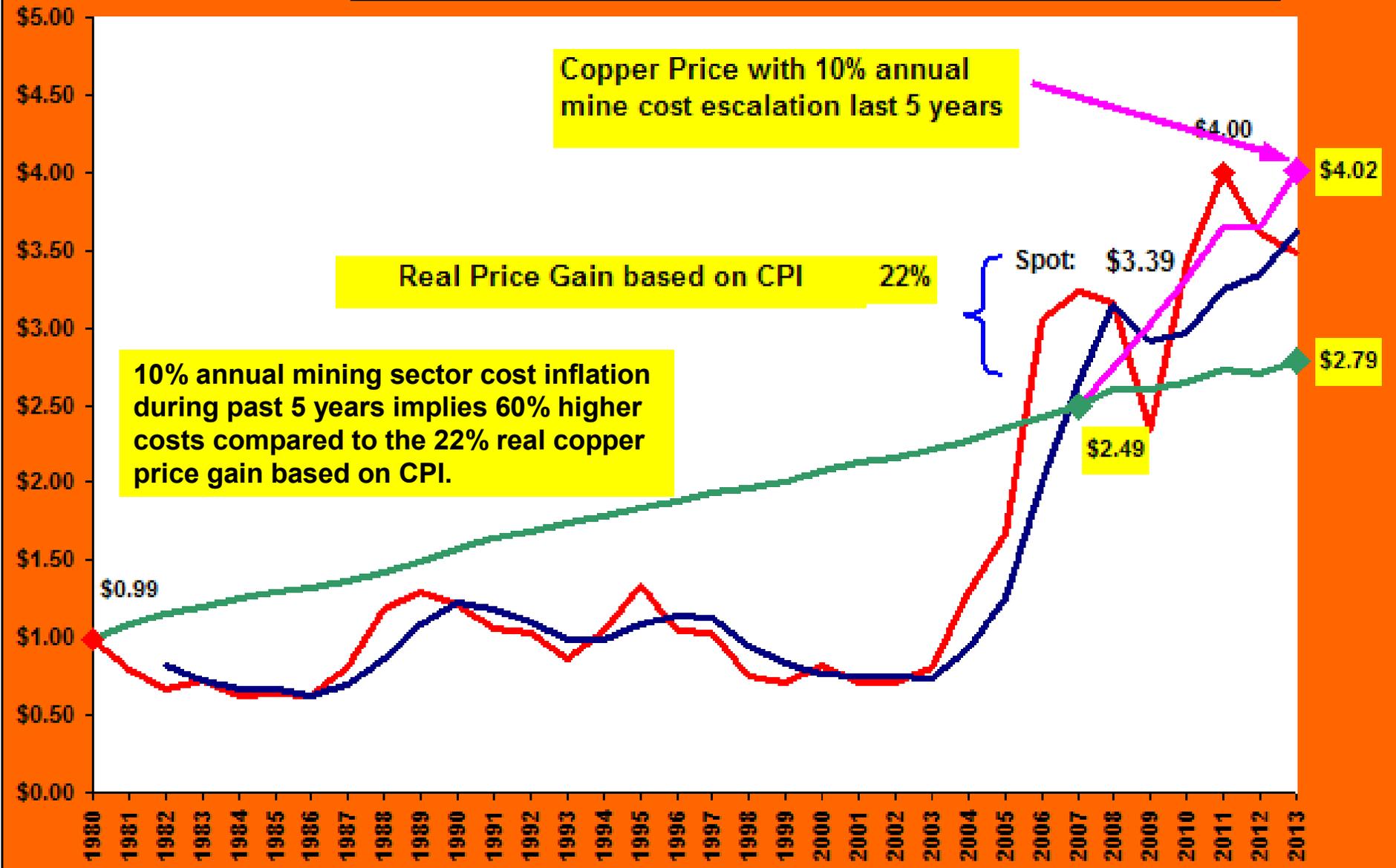


## Potential Annual Copper Output (Based on 68 PEA, PFS, BFS filed since 2007)



# Copper

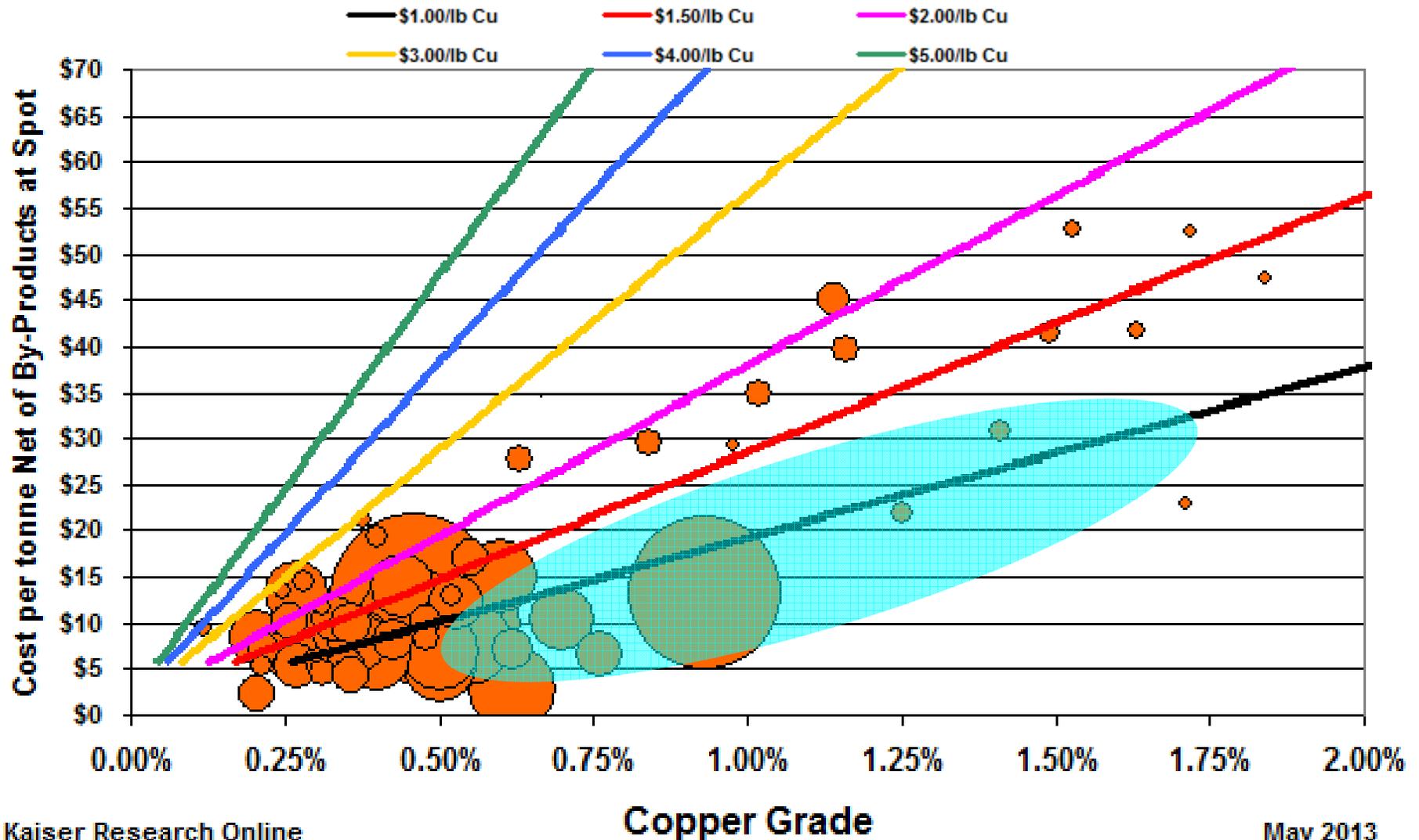
- Average Annual Copper Price \$/oz
- 3 year average - includes current year
- Copper CPI adjusted with 10% mining cost escalation 2008-2012
- Copper Price US CPI inflation adjusted from 1980 base of \$0.99 per lb



# All-In Cost vs Grade for Undeveloped Copper Deposits

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

Additional Potential Annual Production 4,724,433 tonnes Cu  
(Bubble sizes range 10 M lbs to 1.9 B lbs per year) 80% cost < \$1.50/lb



# Colorado Resources Ltd

8/28/2009 TO 5/24/2013



Issued: 39,056,744

High: \$1.74 on 5/21/2013

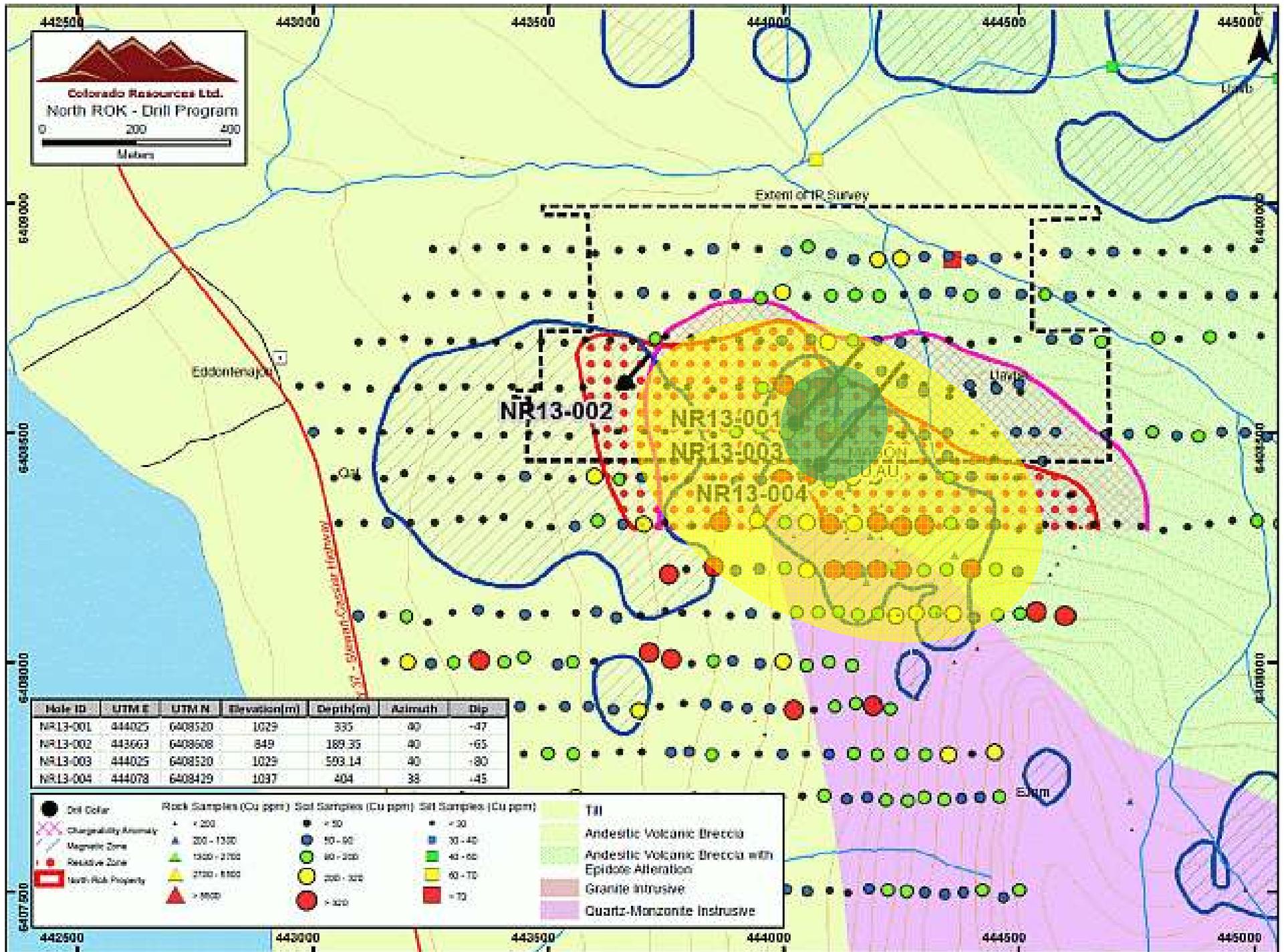
Max Volume: 6,372,800 on 4/29/2013

Diluted: 50,413,276

Low: \$0.14 on 4/18/2013

Max Value: \$5,821,875 on 5/17/2013





## Colorado - North Rok - After Tax NPV Sensitivity at 10%

- Pessimistic - \$2.00/lb Cu - IRR 58%
- Base Case - \$2.20/ Cu - IRR 64%
- Current - \$3.10/lb Cu - IRR 87%
- Optimistic - \$3.50/lb Cu - IRR 96%
- Fantasy - \$5.00/lb Cu - IRR 132%
- Current Stock Price - \$0.89
- Share vs \$/lb Cu Hi Grade Scenario
- Share vs \$/lb Cu Lo Grade Scenario

Spec Outcome Visualization based on Red Chris Mar 2011 FS

30,000 tpd OP, 27% con, rec 87% Cu 49% Au, 28 yr mine life

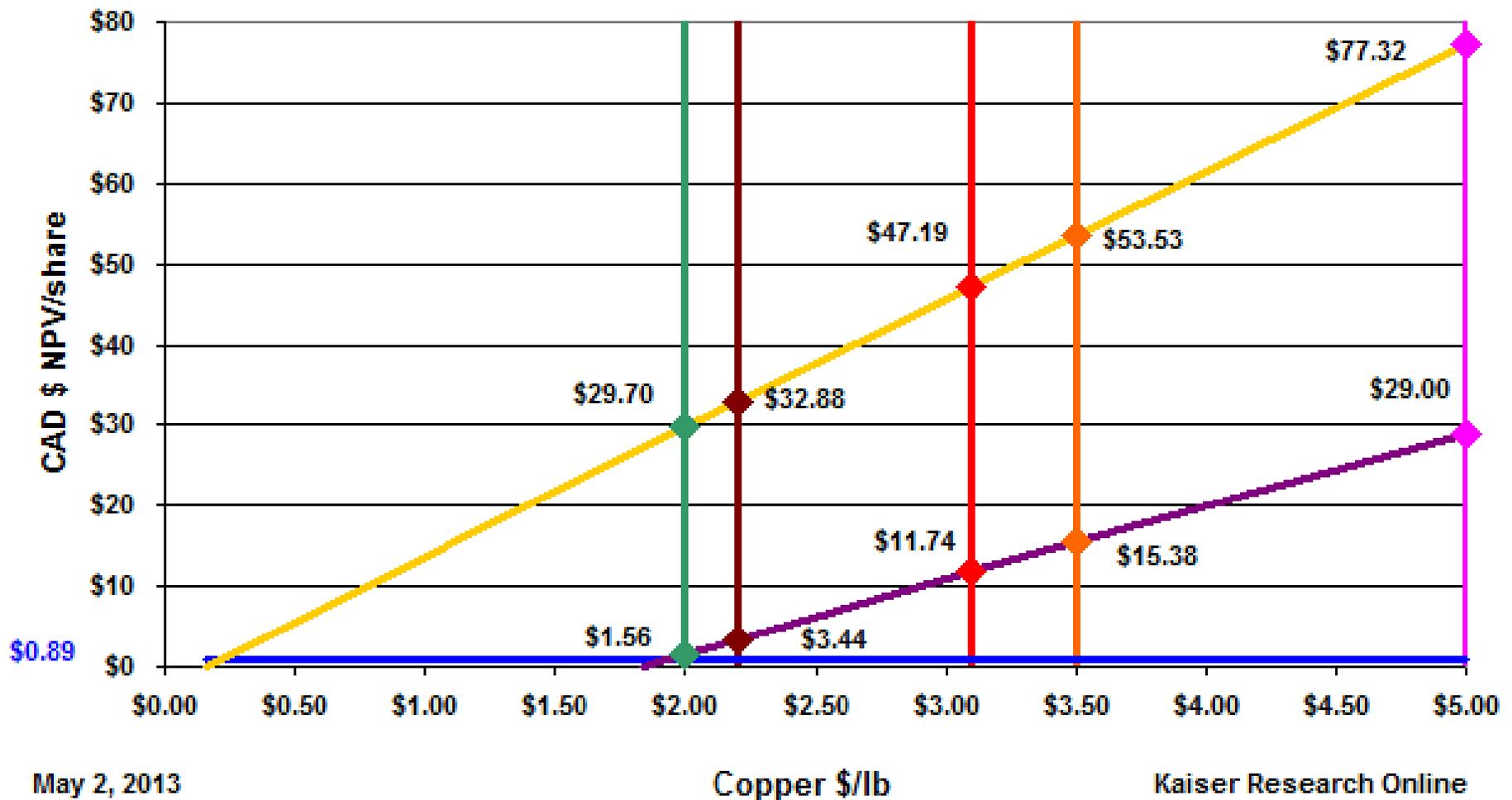
Capex \$444 M, SustEx \$238 M, OpEx \$10/t

Imaginary Hi Grade: 302 M t @ 0.63% Cu 0.85 g/t Au

Imaginary Lo Grade: 302 M t @ 0.359% Cu 0.274 g/t Au

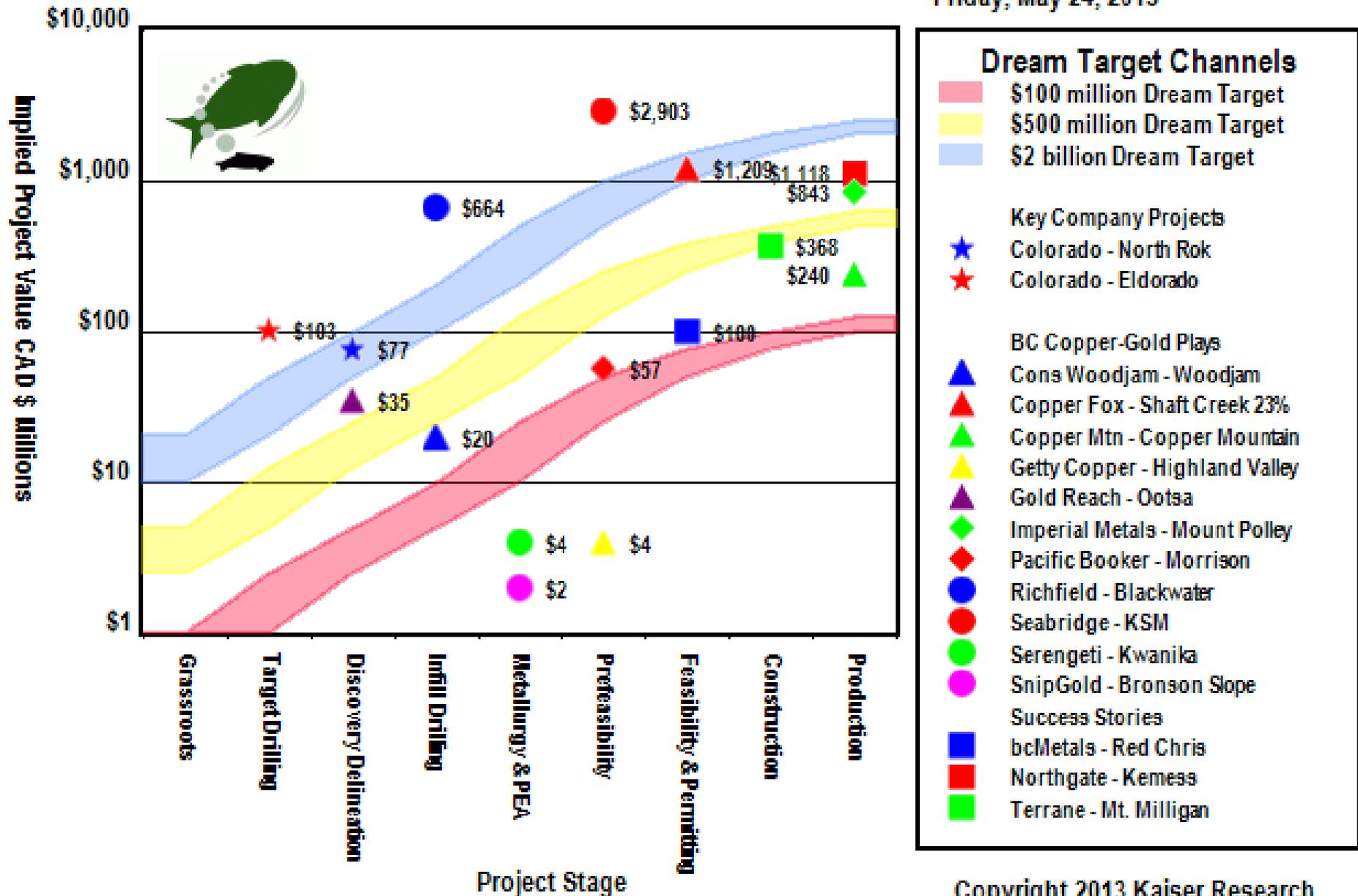
FD: 50.4 M, tax rate 25%, exch 1:1 USD/CAD, 100% Net

Note: IRR % reflect Hi Grade Scenario



# Colorado Project Valuations

Friday, May 24, 2013

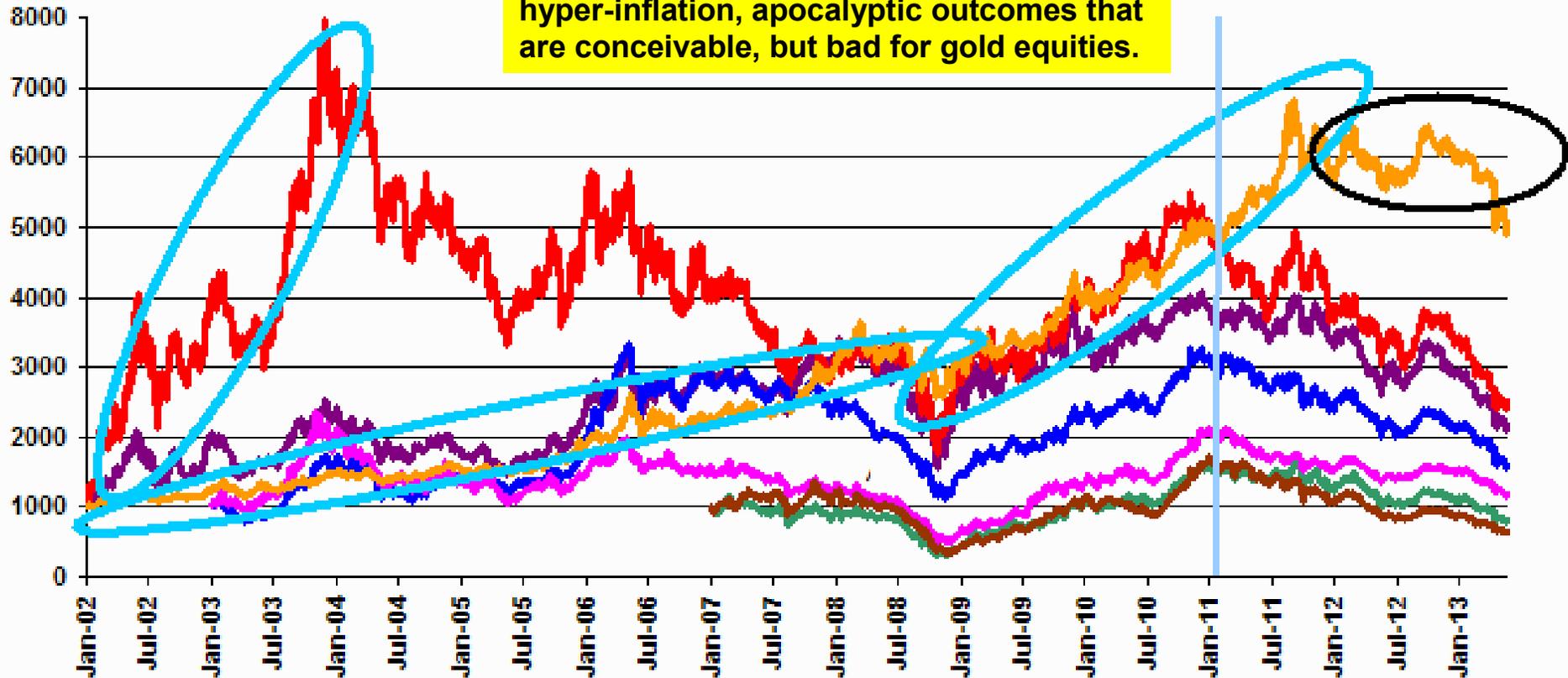


Copyright 2013 Kaiser Research

# KRO Gold Indices

May 24, 2013

**New Reality: a smackdown of the ideologically driven obsession with conspiracy, fiat currency debasement, and hyper-inflation, apocalyptic outcomes that are conceivable, but bad for gold equities.**



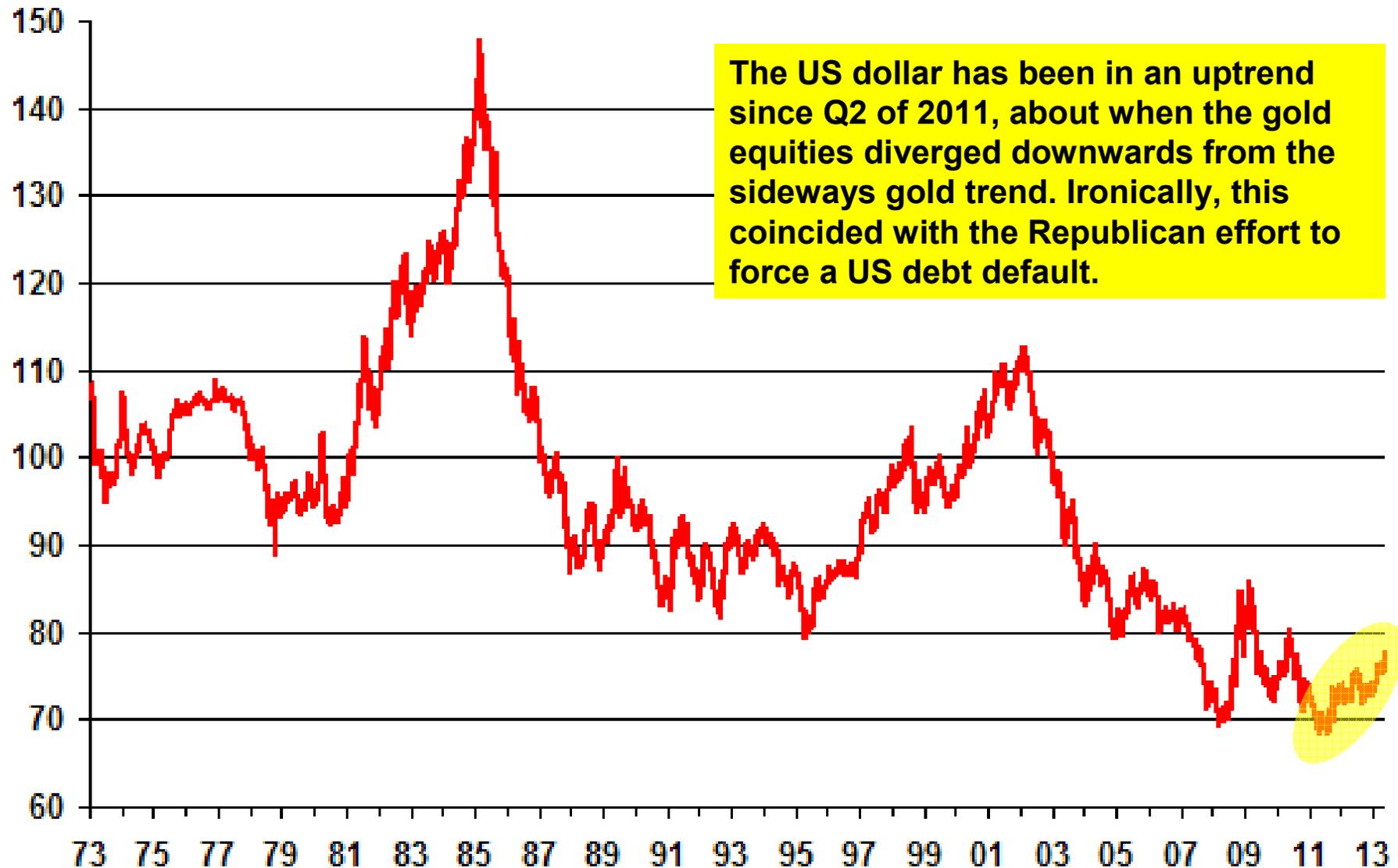
- KRO Major Gold Producer Index
- KRO Intermediate Gold Producer Index
- KRO Junior Gold Producer Index
- KRO Major Non-Producer Gold Index
- KRO Intermediate Non-Producer Gold Index
- KRO Junior Non-Producer Gold Index
- Gold \$278/oz normalized to 1000 on Jan 2, 2002



Copyright 2013  
Kaiser Research

# US Dollar Major Currency Index

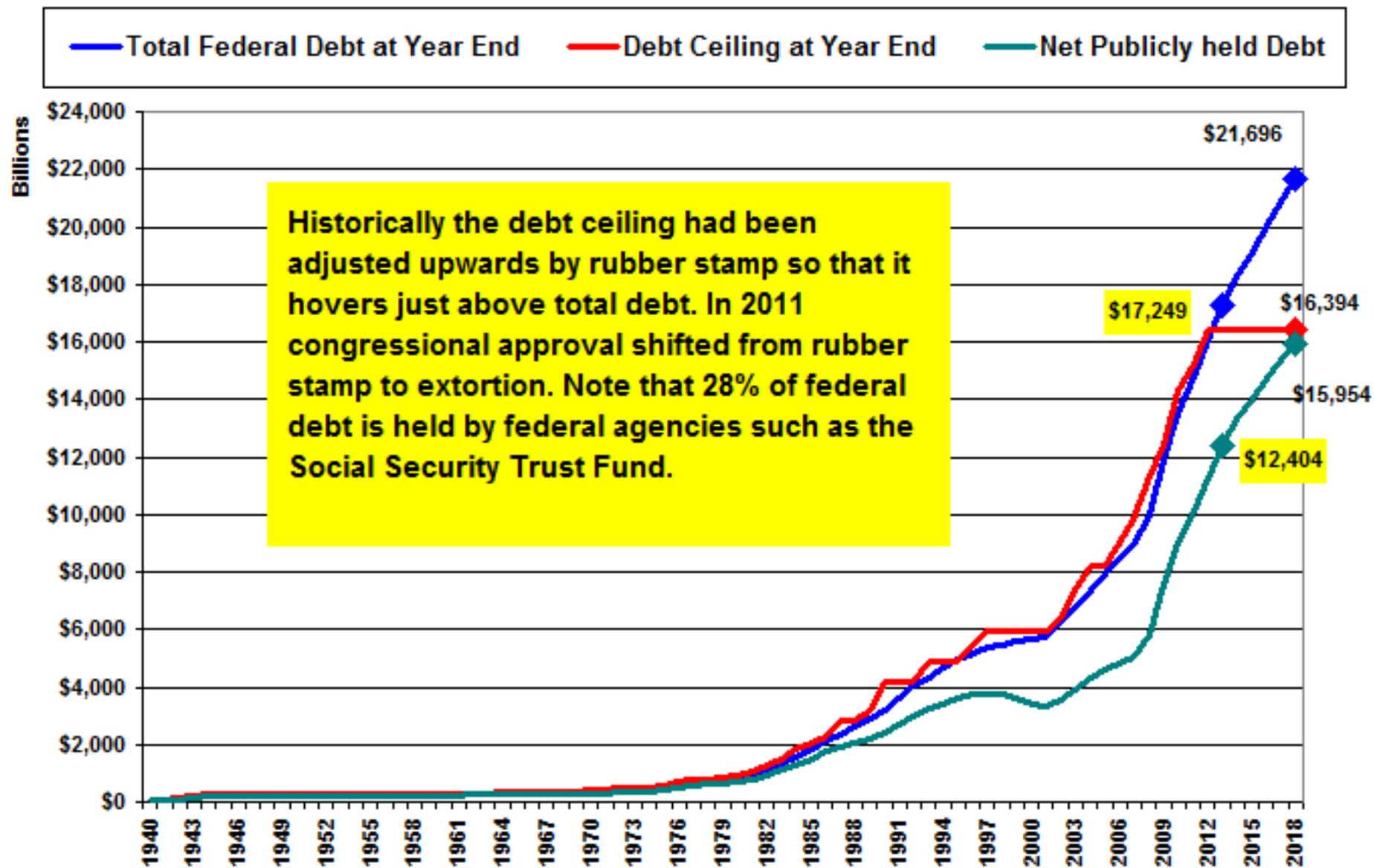
(Downtrend = weakening US \$)



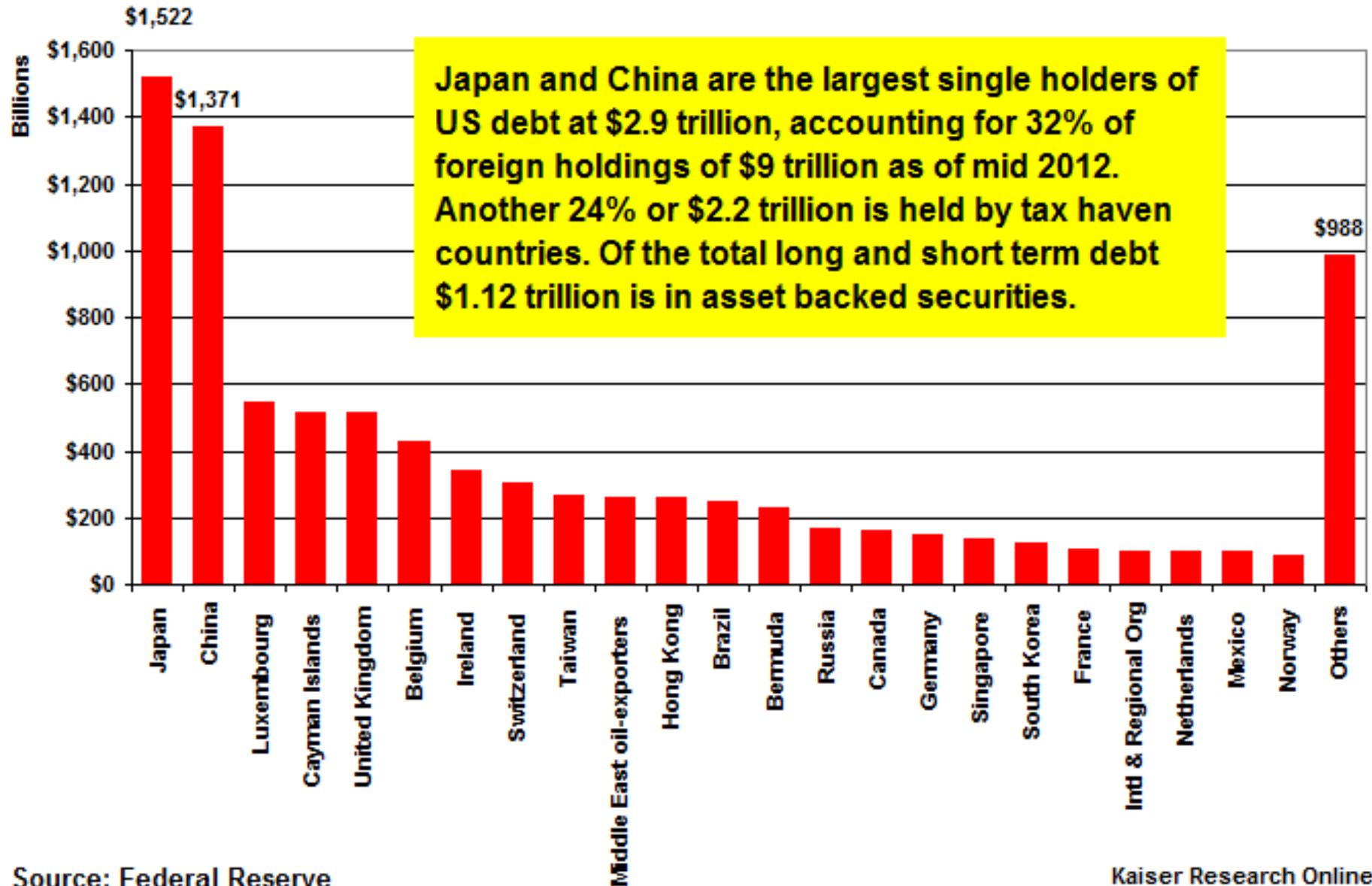
The US dollar has been in an uptrend since Q2 of 2011, about when the gold equities diverged downwards from the sideways gold trend. Ironically, this coincided with the Republican effort to force a US debt default.

## Federal Debt subject to Statutory Limit (The Debt Ceiling)

(2013-2018 debt figures are OMB estimates)



## Foreign Holdings of US Debt As of June 30, 2012 - preliminary Feb 28, 2013



Source: Federal Reserve

Kaiser Research Online

## Currency Exchange Rates

Per US Dollar

(Downtrend = weakening US \$)

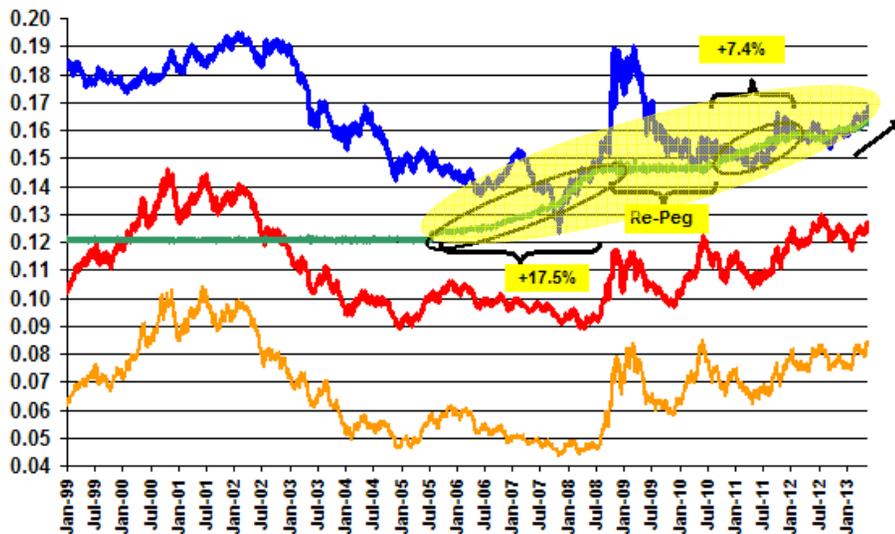


China aspires to the role of reserve currency. This will take time. Japan's Abenomics is a battle against irrelevance caused by bad demographics, 2 decades of stagnation, & over-reliance on fiscal stimulus. The rest of the world is happy to see a stronger dollar because it makes up most of their foreign reserves.

## Currency Exchange Rates

Per Chinese Renminbi (Yuan)

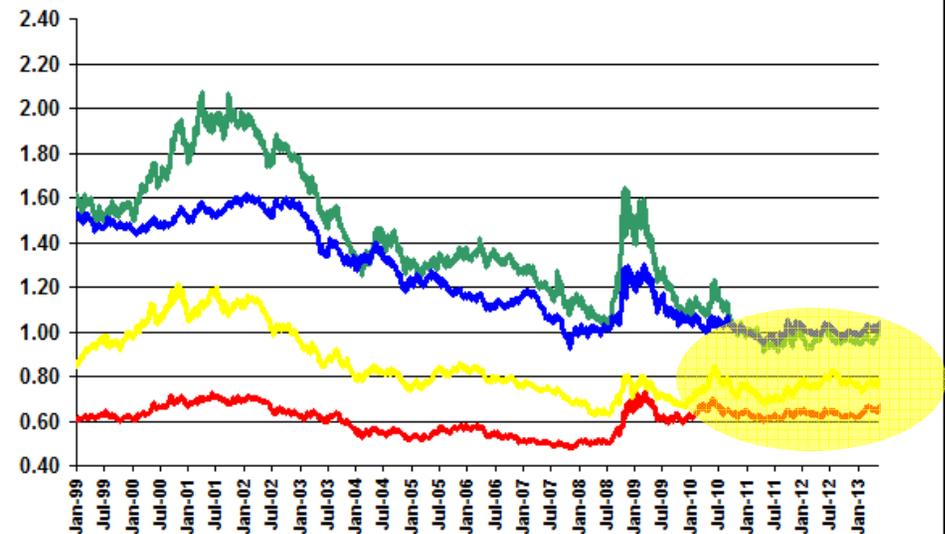
(Downtrend = weakening RMB)



## Currency Exchange Rates

Per US Dollar

(Downtrend = weakening US \$)

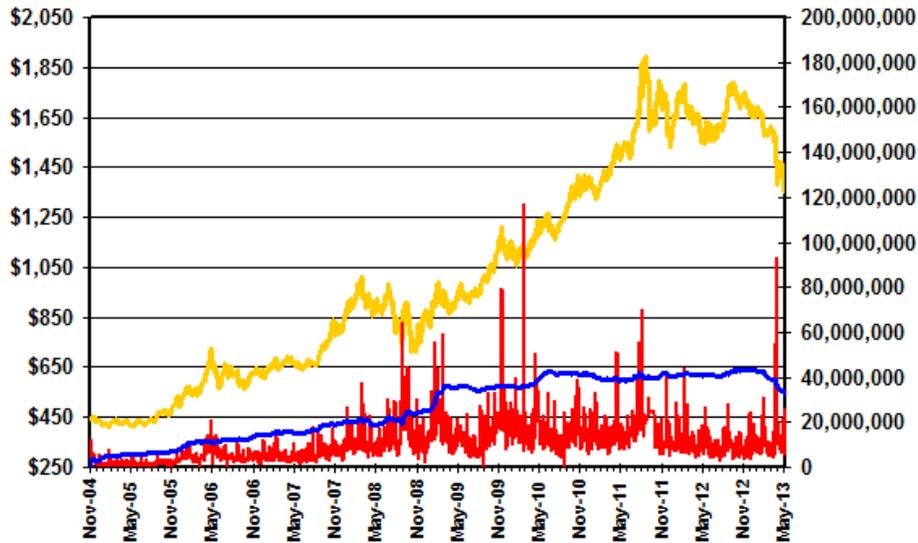




**SPDR Gold Trust  
GLD - NYSE**

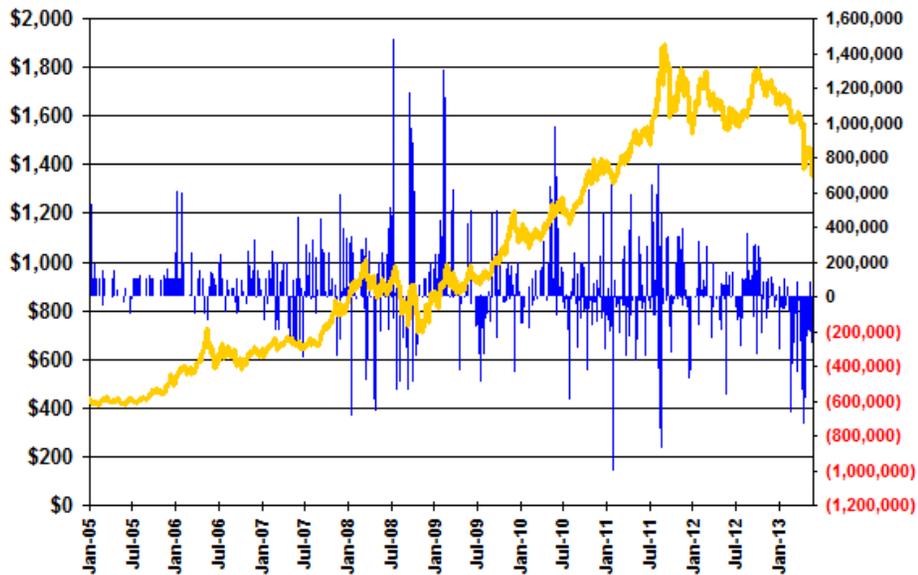
(1 GLD share = ~ 1/10th oz allocated gold)

- Gold London Fix \$ per oz
- GLD shares traded
- Ounces held by Gold Trust



**SPDR Gold Trust  
GLD - NYSE**

- Daily Oz Holdings Change
- Gold London Fix \$ per oz

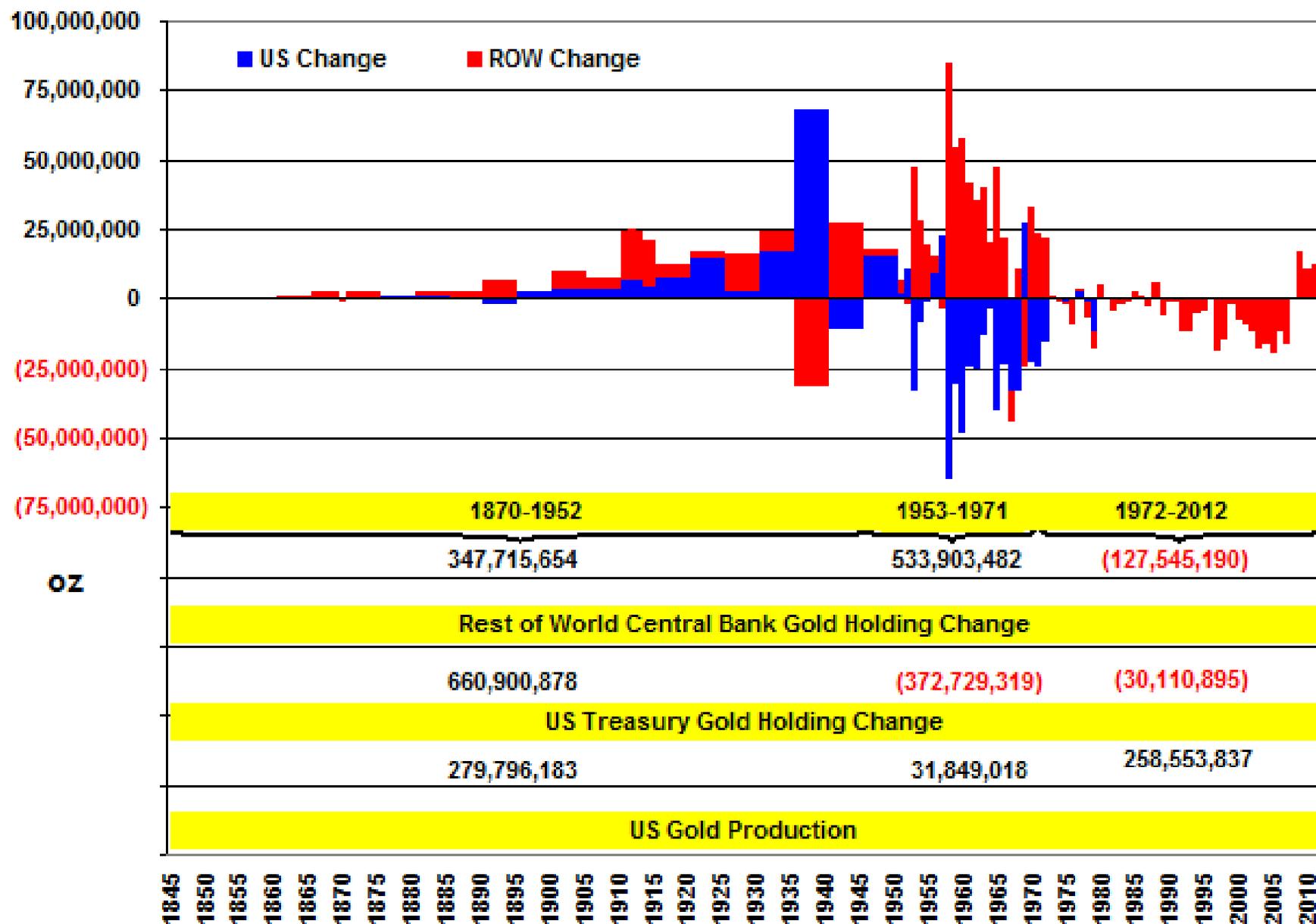


**Physical buying worldwide has surged while the supply of scrap has declined. The ETFs are the only place bullion bankers can extract gold to close out gold lease positions.**



**Since Dec 7 peak of 43.5 million oz, 10.4 million oz or 24% has been extracted from the SPDR ETF.**

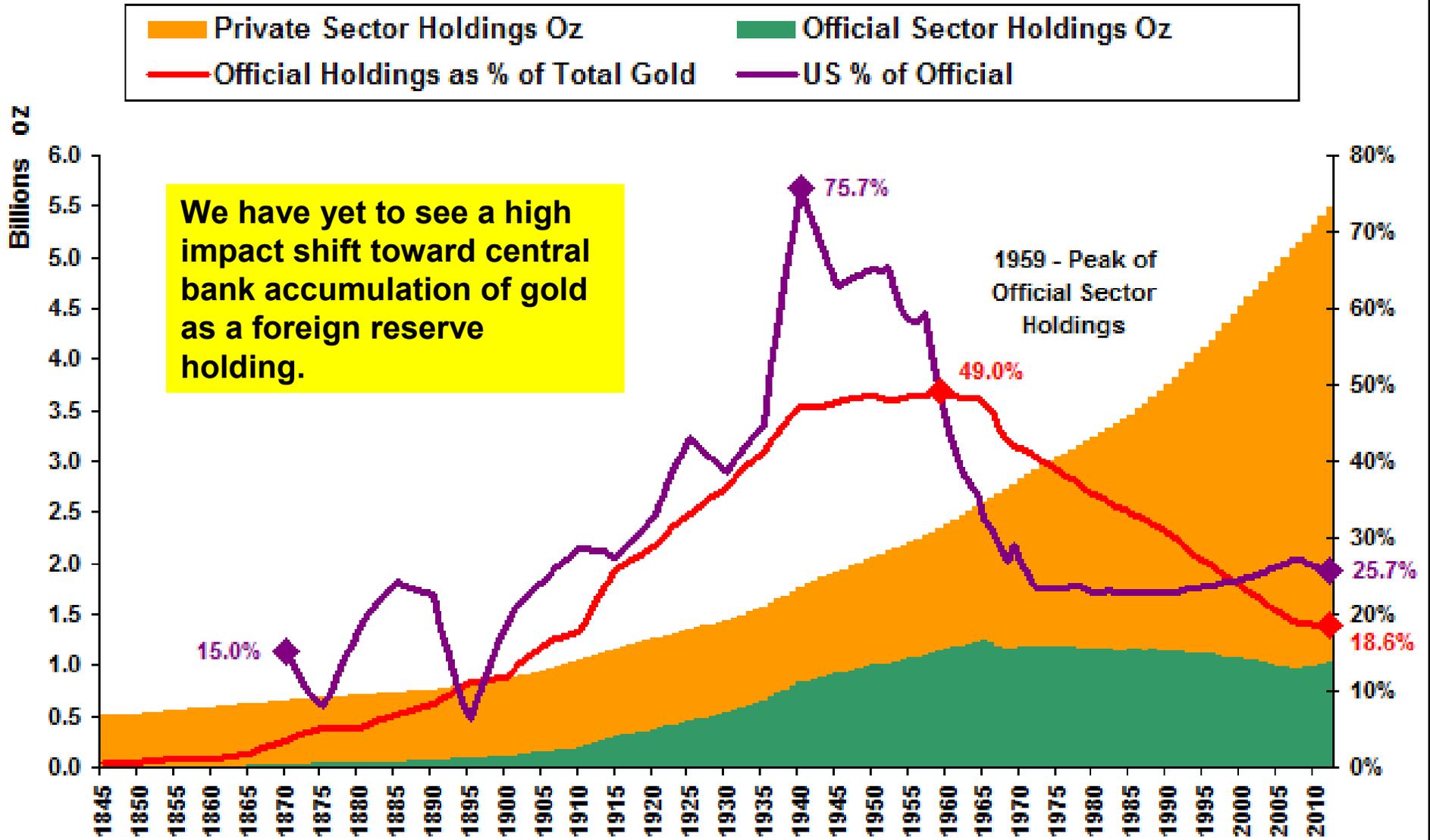
## Annual Change in Official Sector Gold Holdings (Oz)



Source: World Gold Council

Kaiser Research Online

## Trends in Official & Private Sector Gold Holdings

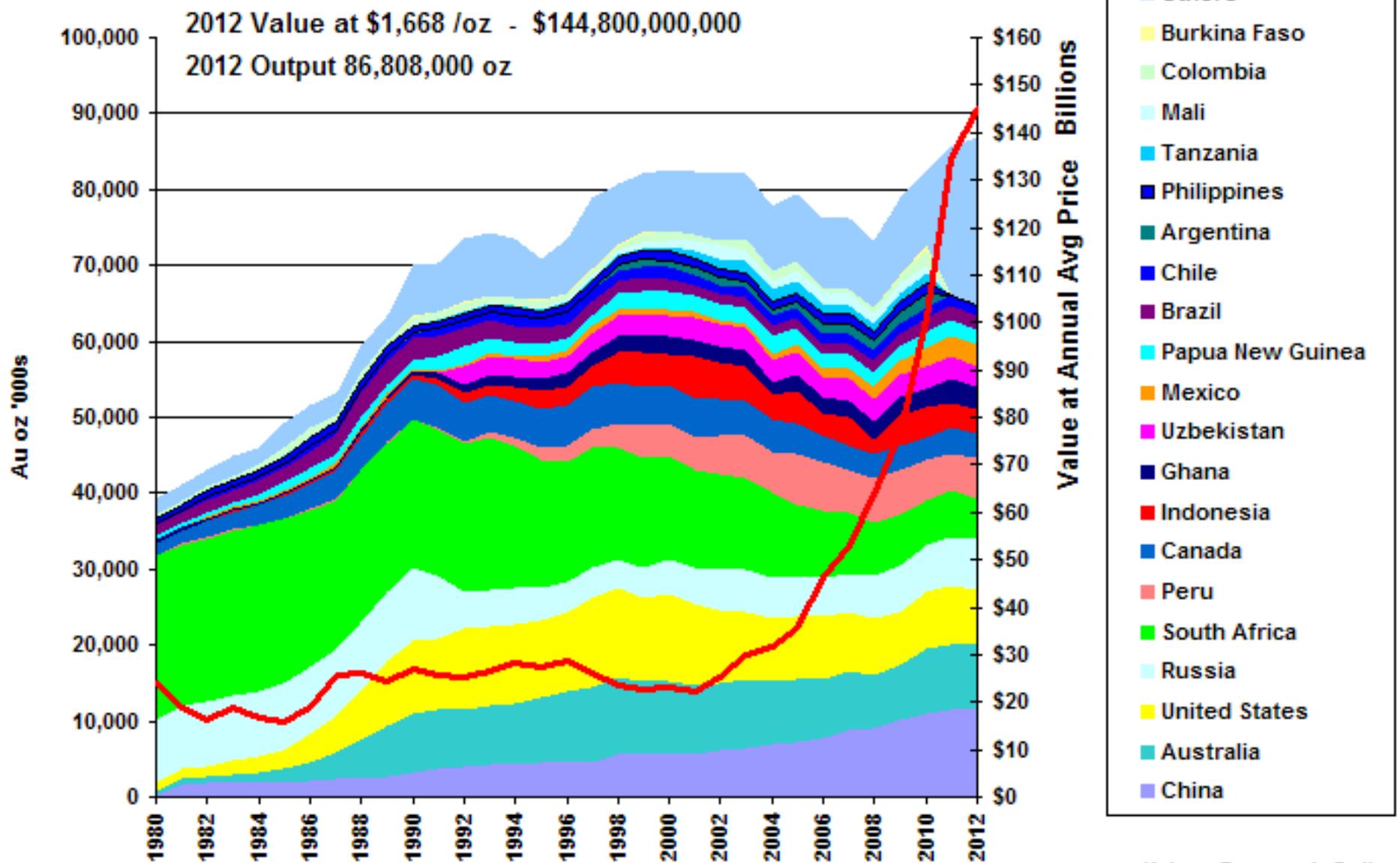




# Annual Gold Production

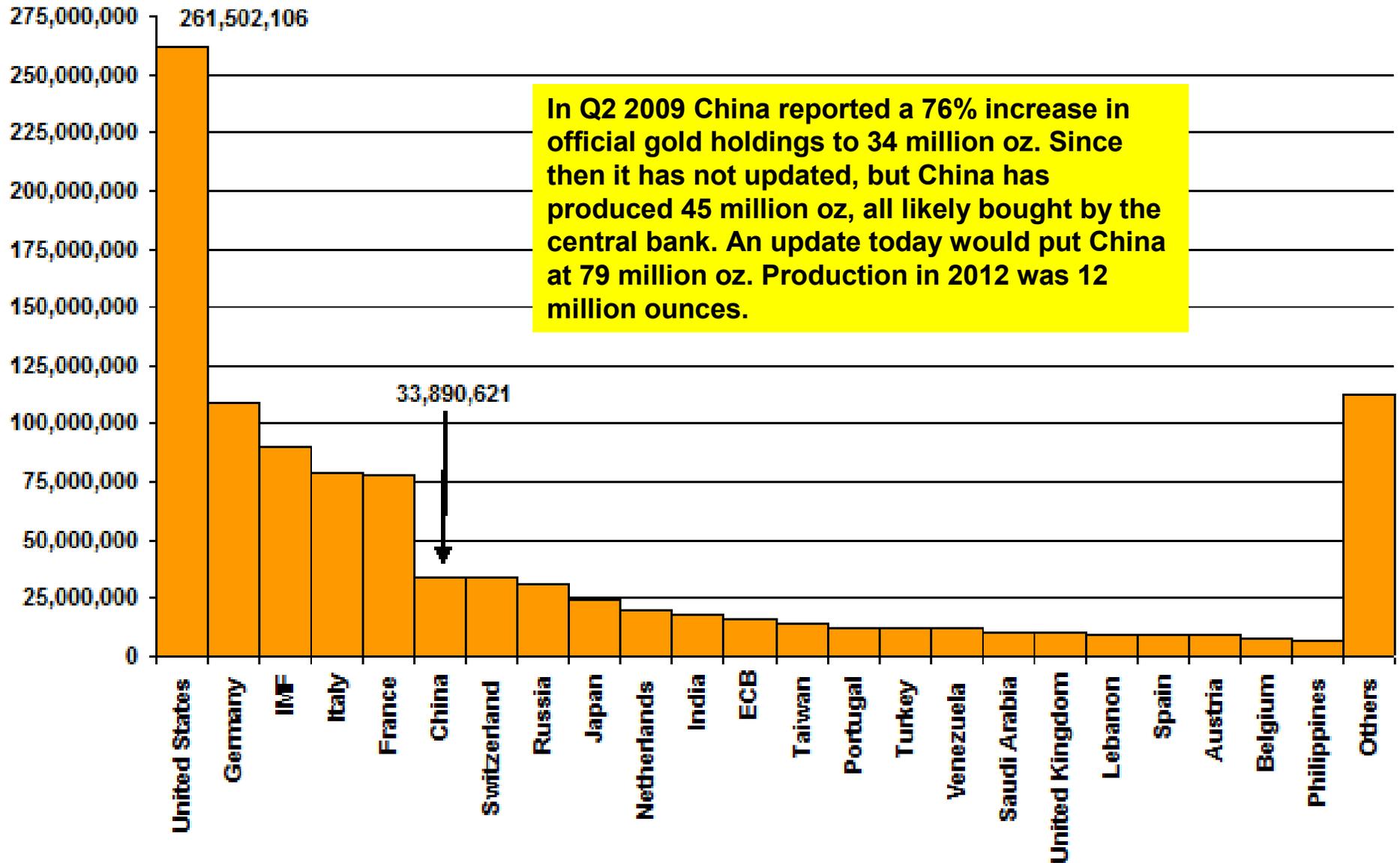
Production Data Source: USGS, CPM

Annual Production Value based on average annual gold price



## Official Gold Holdings - Apr 2013

### 1,019 million ounces

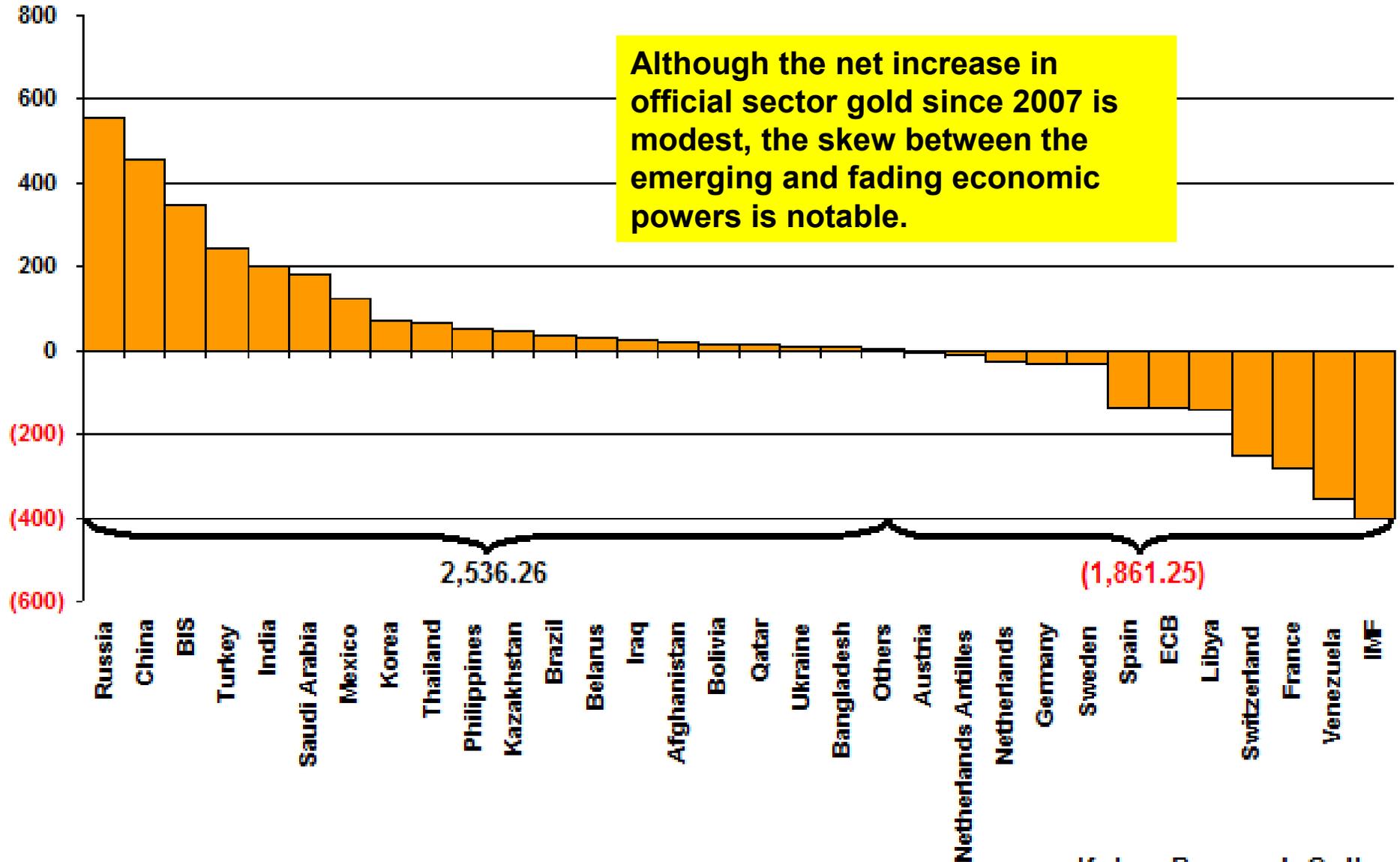


Source: World Gold Council

Kaiser Research Online

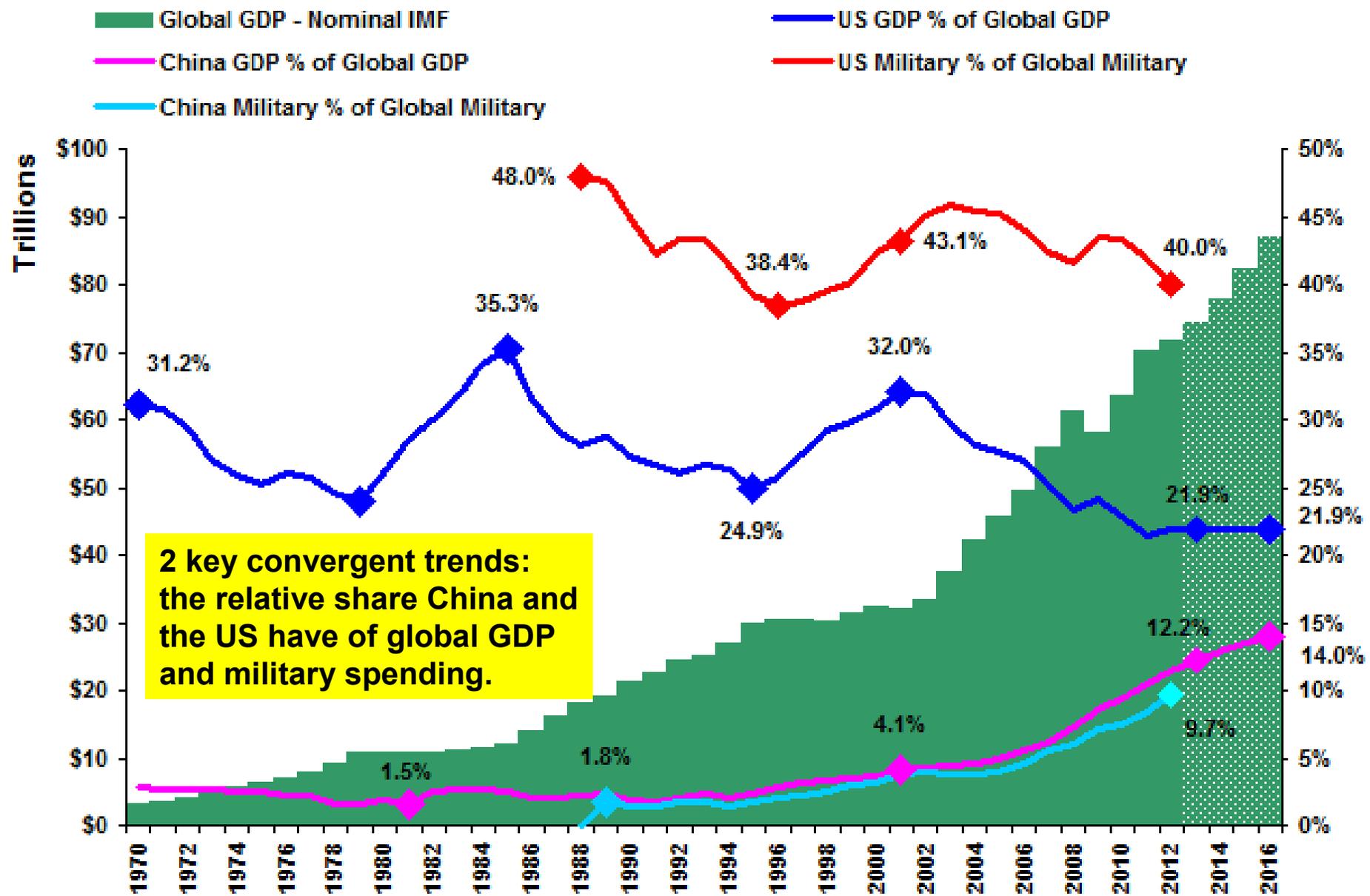
# Official Sector Gold Holding Change since 2007

+ 675 tonnes or 31,347,225 ounces as of Q4 2012



## US & China Relative Percentage of Global GDP & Military Spending

(2013-2016 GDP estimates by IMF)



Source: IMF, SIPRI, World Bank

May 2013

Kaiser Research Online

# Two Important Reports that beg for a shift in the gold bug narrative!

- **Global Trends 2030: Alternative Worlds**

*(National Intelligence Council – December 2012)*

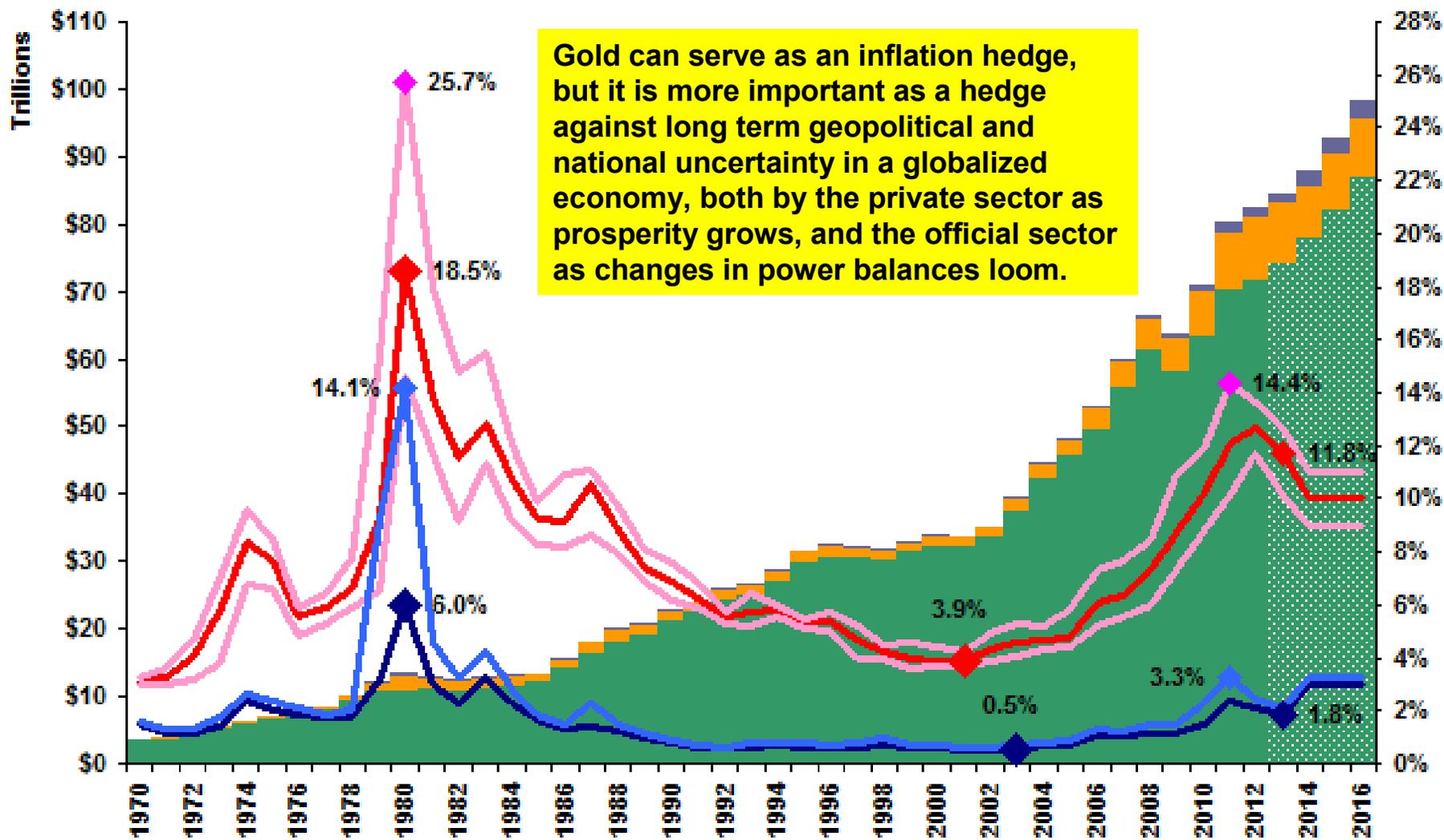
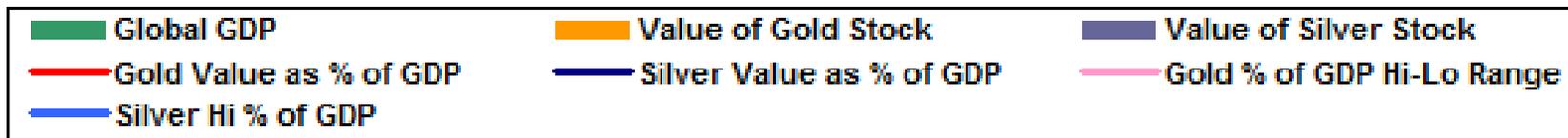
<http://globaltrends2030.files.wordpress.com/2012/12/global-trends-2030-november2012.pdf>

- **Gold, the renminbi and the multi-currency reserve system**

*(OMFIF – Official Monetary & Financial Institutions Forum on behalf of the World Gold Council – January 2013)*

<http://www.omfif.org/downloads/Gold,%20the%20renminbi%20and%20the%20multi-currency%20reserve%20system.pdf>

## Relationship between Global GDP and Value of Existing Gold & Silver Stock (2013 onwards GDP & Mine Supply estimated)



Source: CPM, IMF, World

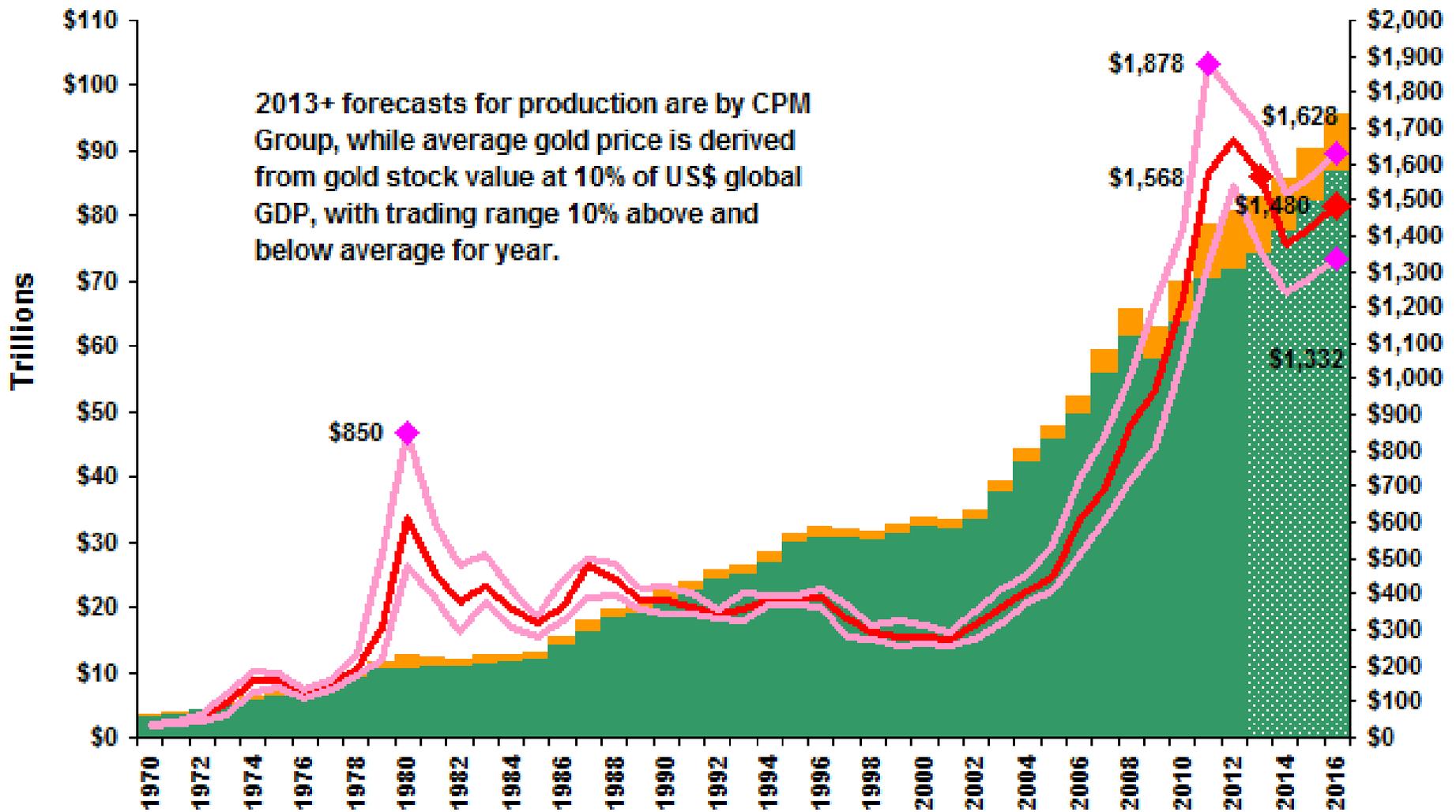
May 2013

Kaiser Research Online

# Relationship between Global GDP and Value of Existing Gold Stock

(2013 onwards GDP & Mine Supply estimated)

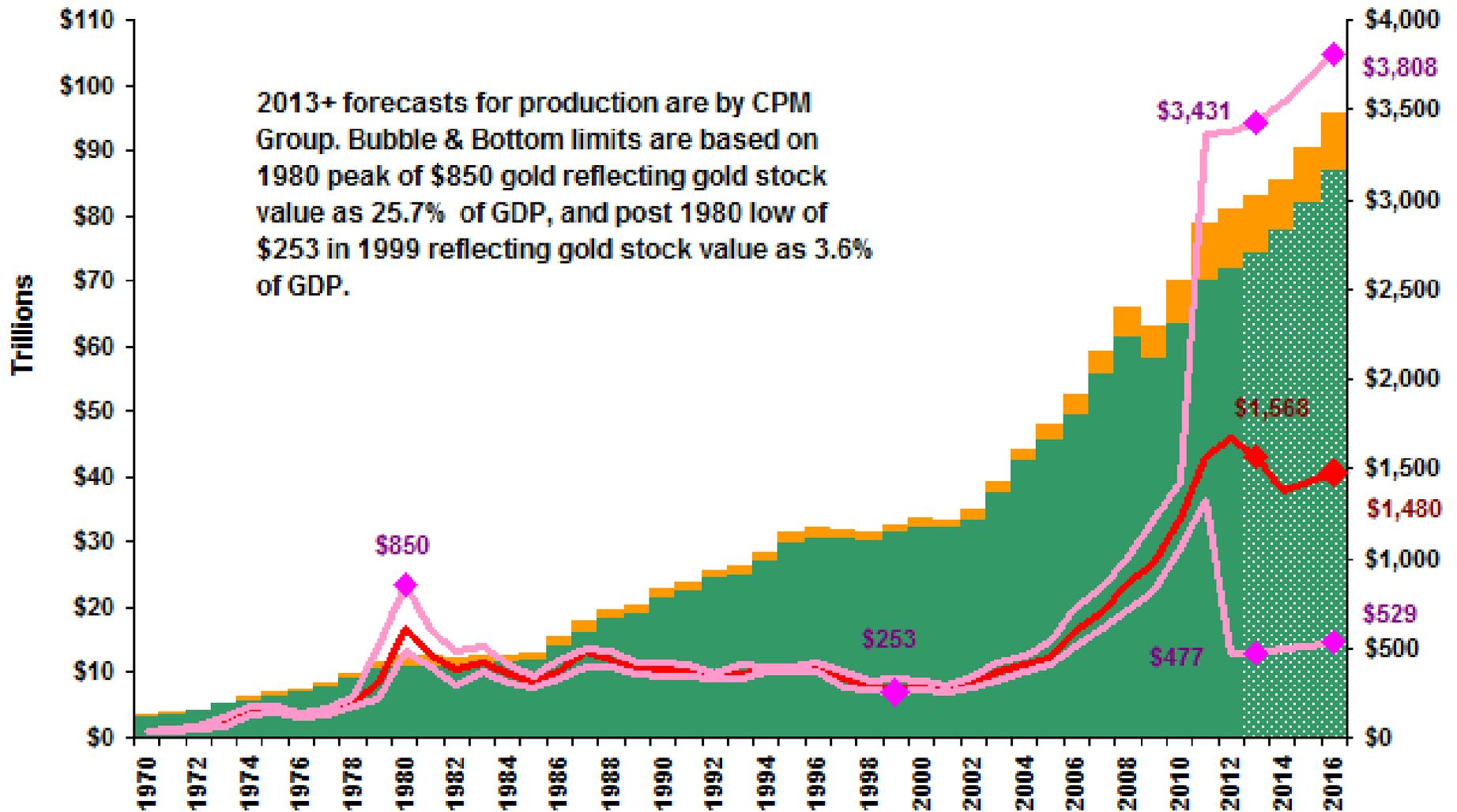
- Global GDP
- Value of Gold Stock
- Average Gold Price
- Yearly Hi-Lo Range



# Past Peak & Bottom Based Bubble & Bear Limits for Gold

(2013 onwards GDP & Mine Supply estimated)

- Global GDP
- Value of Gold Stock
- Average Gold Price
- Yearly Hi-Lo Range



# Gold

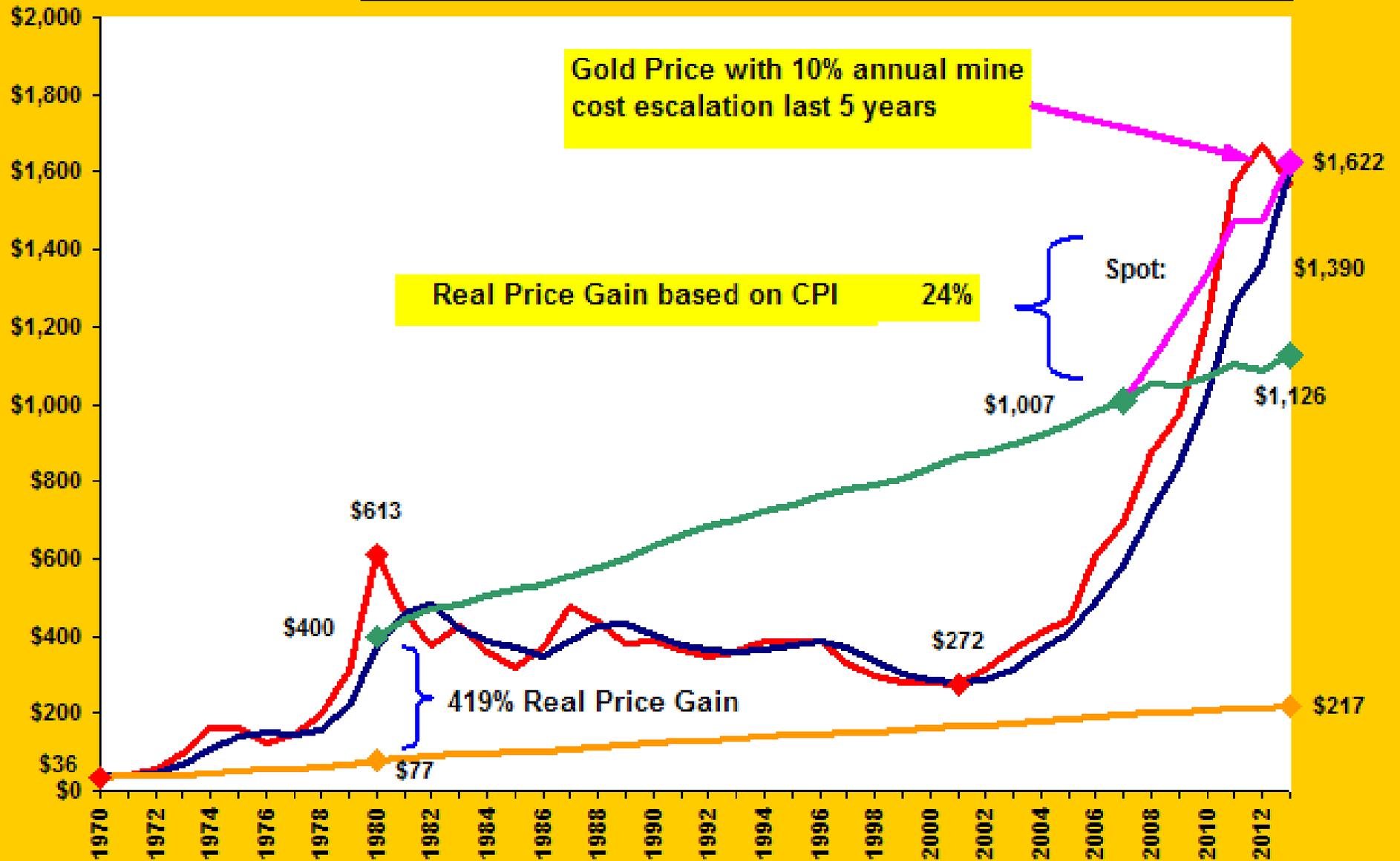
- Average Annual Gold Price \$/oz
- 3 year average - includes current year
- Gold CPI adjusted with 10% mine cost escalation 2007-2012
- Gold Price US CPI inflation adjusted from 1980 base of \$400 per oz
- Gold Price US CPI inflation adjusted from 1970 base of \$36 per oz

Gold Price with 10% annual mine cost escalation last 5 years

Real Price Gain based on CPI 24%

419% Real Price Gain

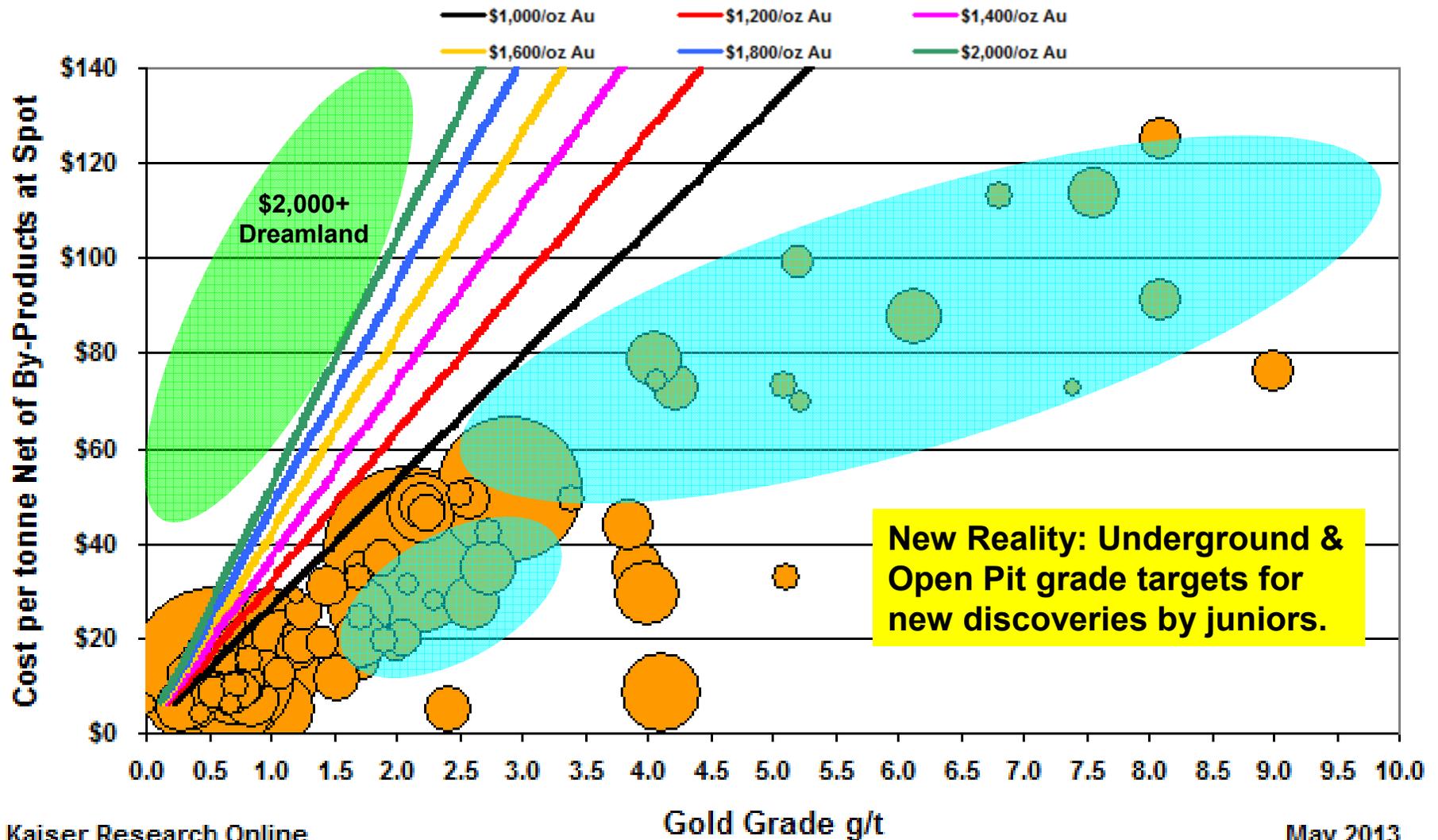
Spot:



# All-In Cost vs Grade for Undeveloped Gold Deposits

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

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



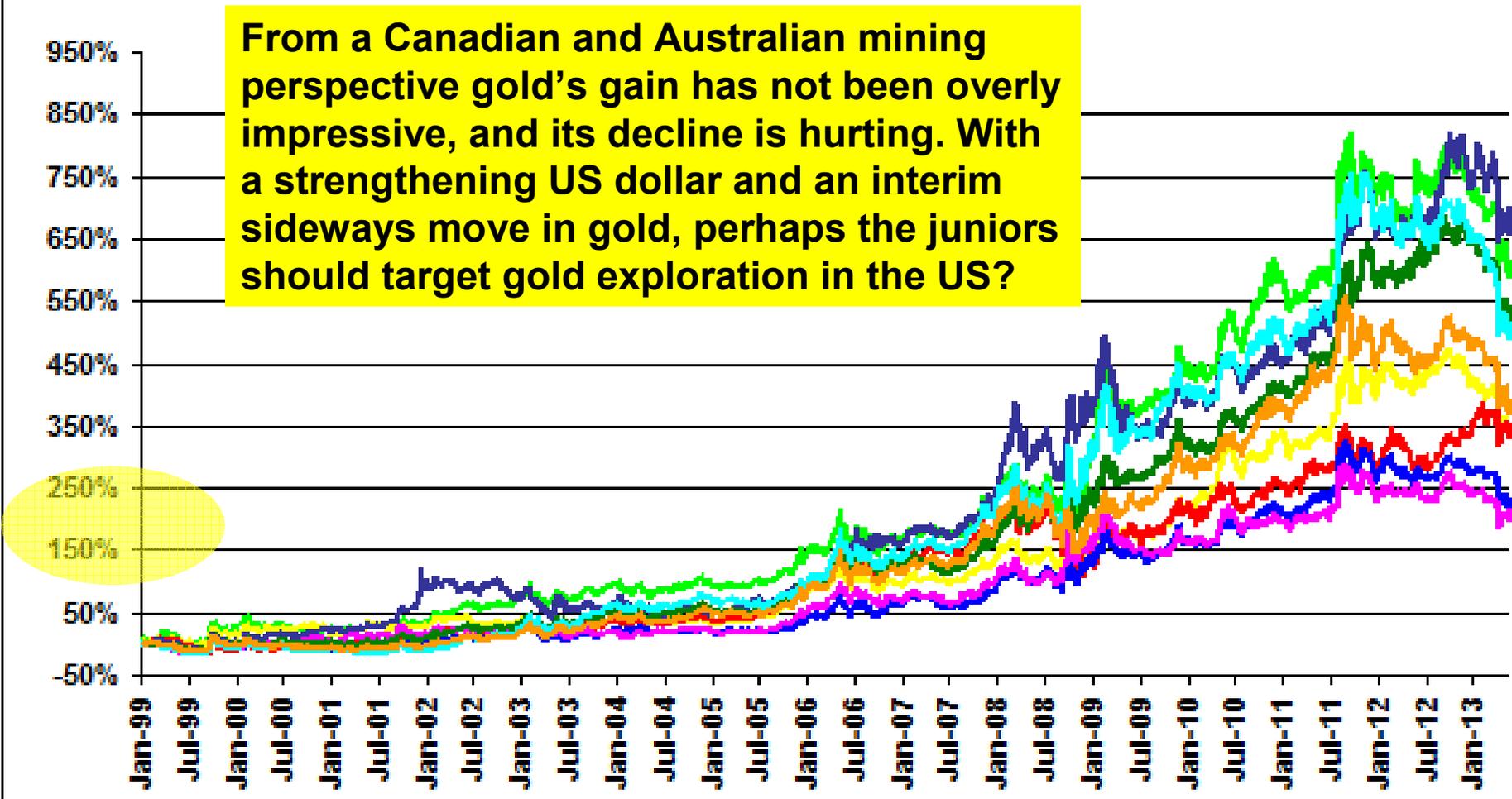
# Gold in Local Currency

## Relative Performance

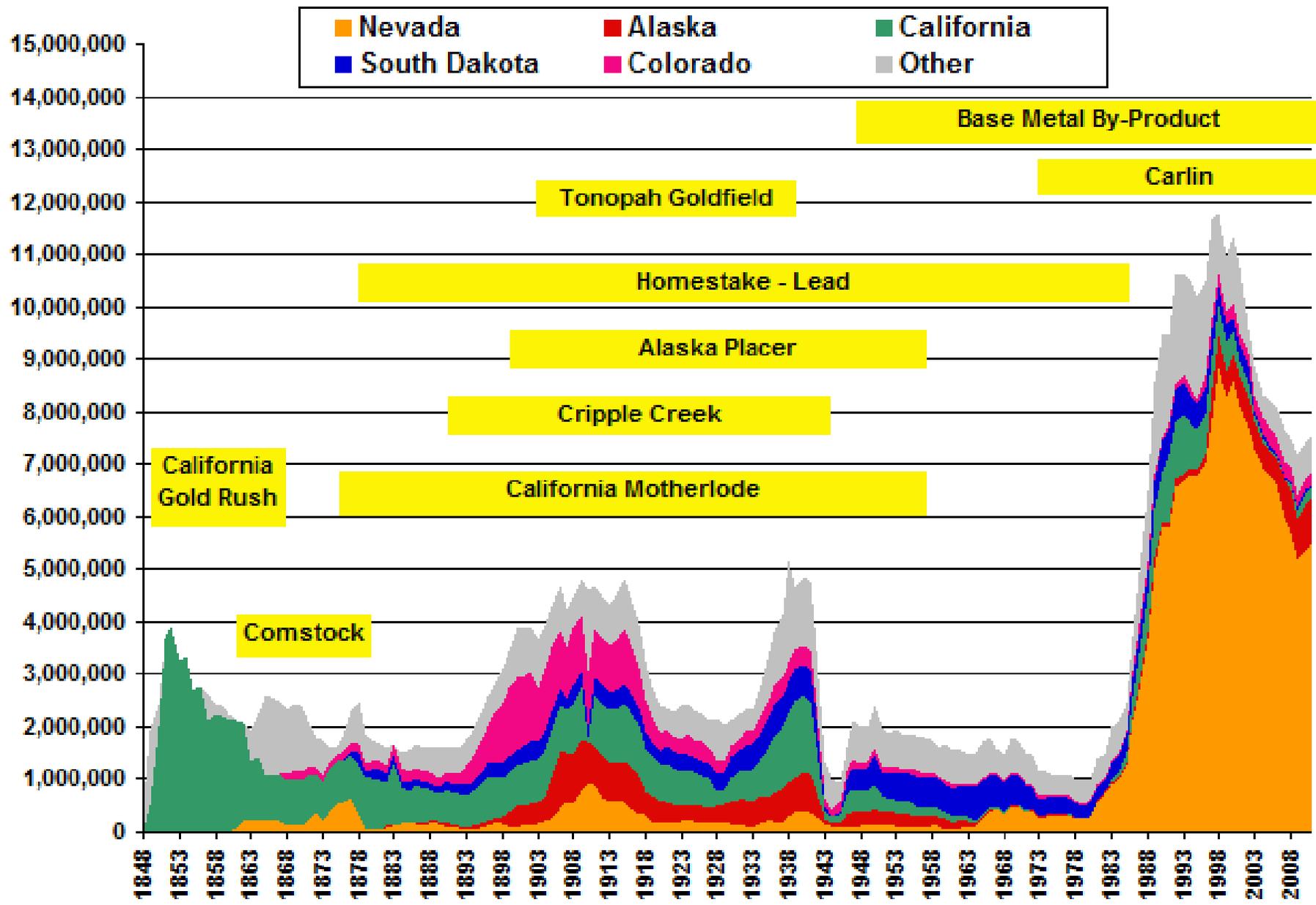
Jan 4, 1999 Base \$287/oz



From a Canadian and Australian mining perspective gold's gain has not been overly impressive, and its decline is hurting. With a strengthening US dollar and an interim sideways move in gold, perhaps the juniors should target gold exploration in the US?



# US Gold Production (oz)



Source: USGS

Kaiser Research Online

# Kaiser Services

- Kaiser Research Online Membership – US \$250 per quarter or \$800 per year
- One month KRO Trial at \$100

[www.KaiserResearch.com](http://www.KaiserResearch.com)