

2009 Hard Assets Investment Conference

New York, USA

May 12, 2009

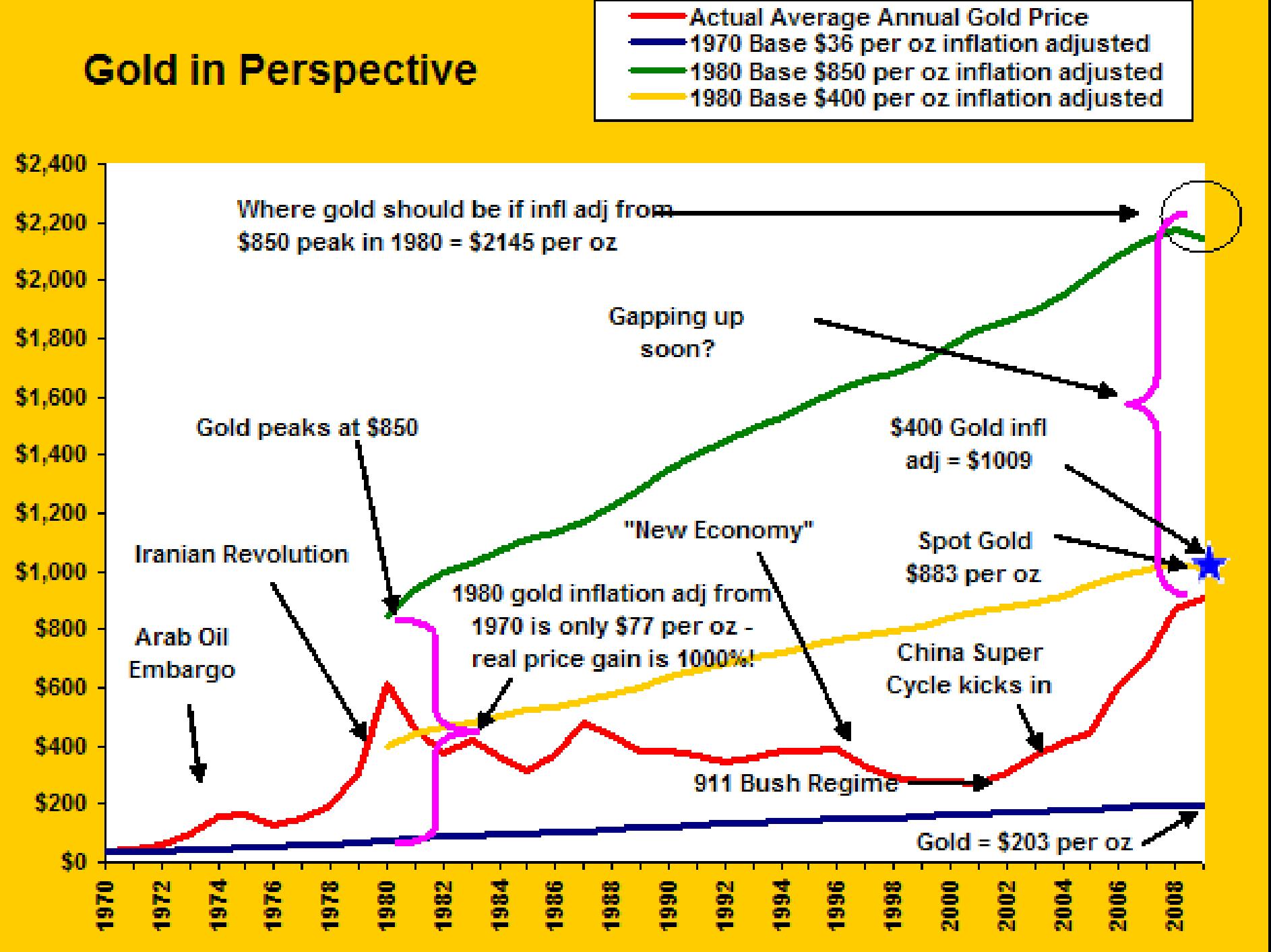
Presented by John Kaiser

Expert View: Understanding Gold Strategies

www.KaiserBottomFish.com



Gold in Perspective



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.

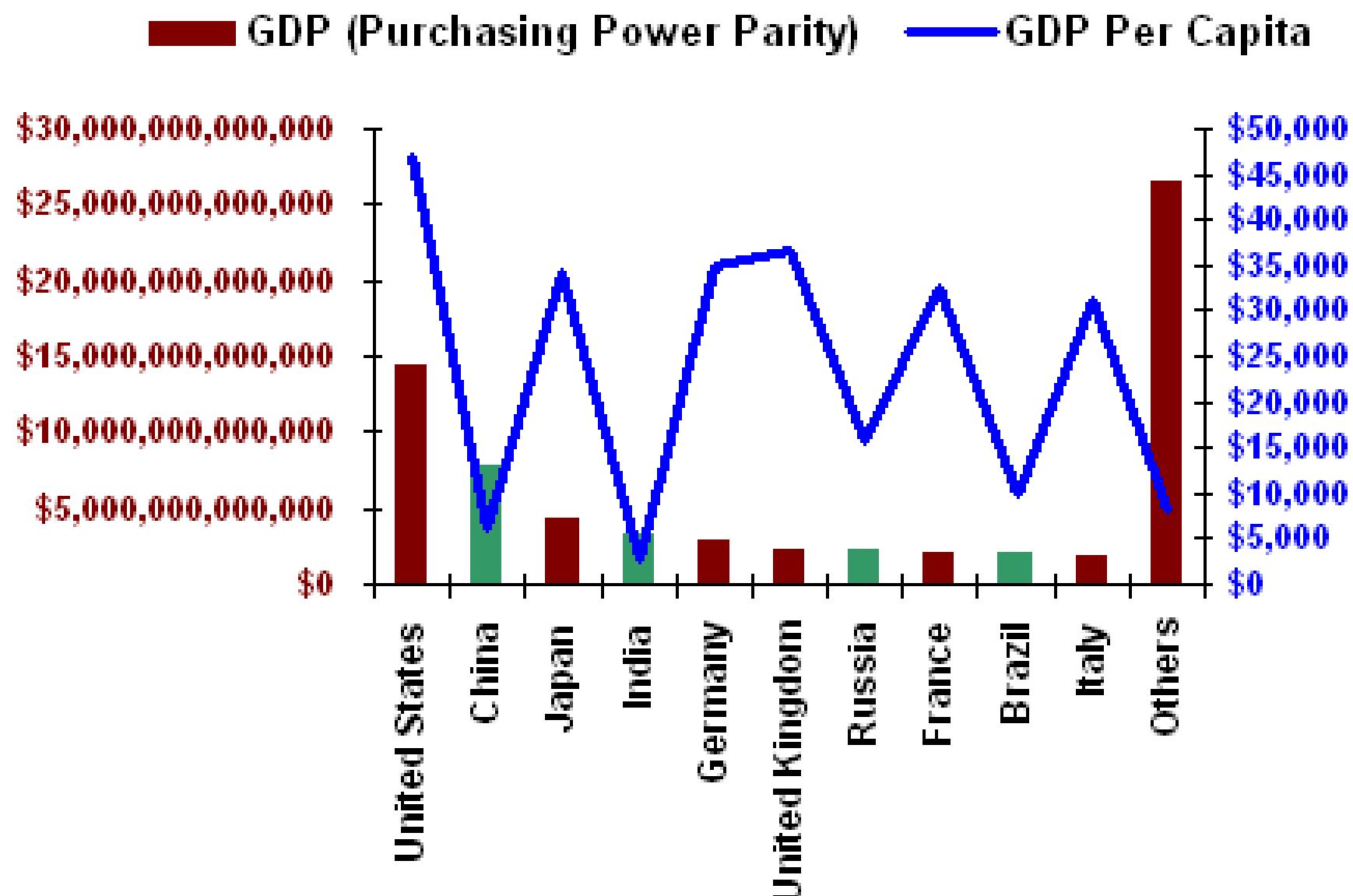
The China Price

- 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

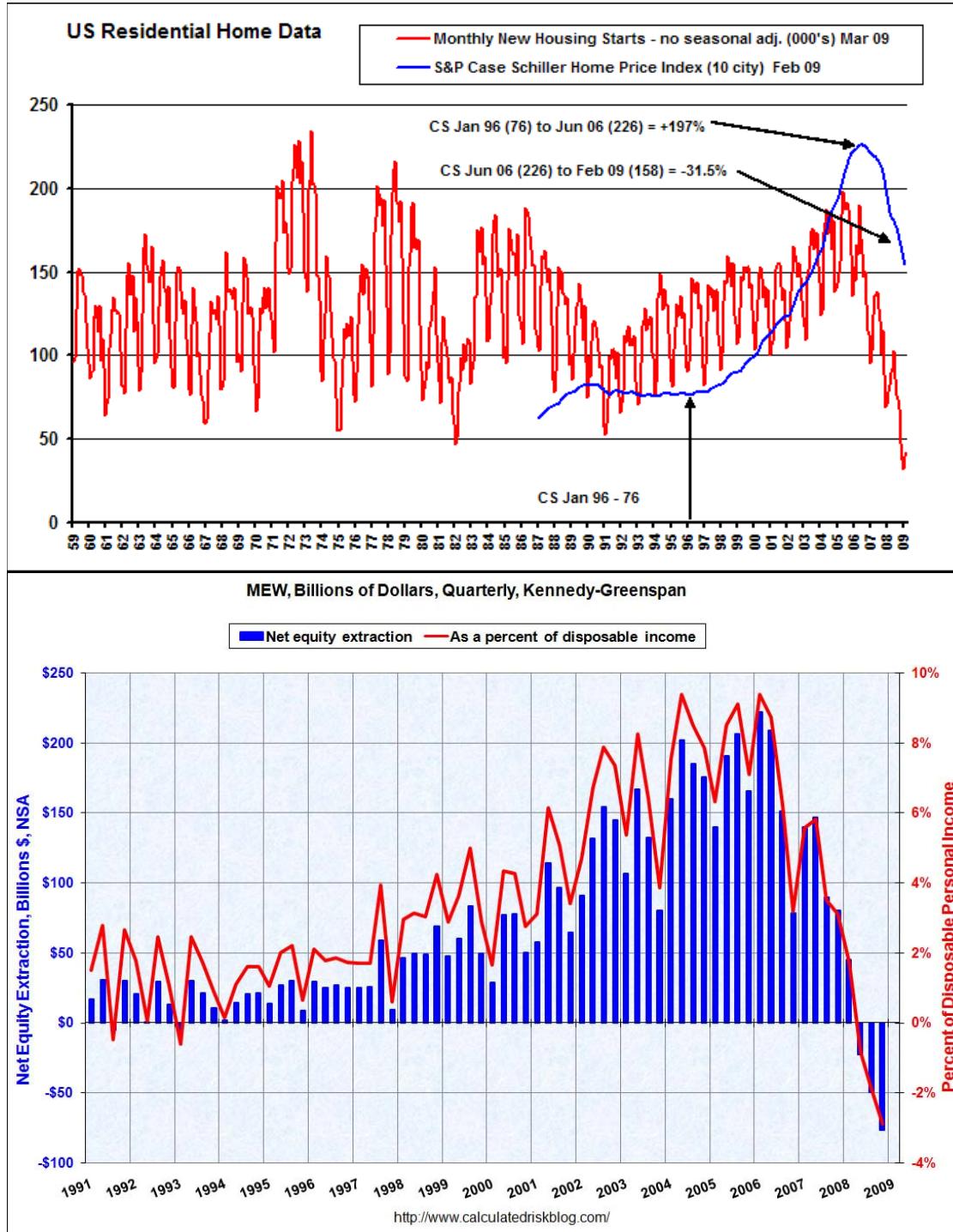
Made in China and Packed with
Pride in America



Gross Domestic Product (GDP - \$69.3 trillion)



Source: CIA World Fact Book 2008



Mortgage Securitization:

Creating a Global Real Estate Bubble and a Consumption Boom by dissolving the traditional self-regulating relationship between lender and borrower

- The American Dream
- Home construction boom
- Refinancing boom
- Turning the home into an ATM Machine
- Home equity as retirement savings plan
- Made possible through Mortgage Securitization

The rise of the Financial Quants as the new Geniuses of Wall Street



- Derivative Explosion
- Slicing & Dicing Debt
- Re-assembling into structured products
- Unique creations marked to model
- Sold to managers of OPM
- Reliance on Bell Curve distributions
- Reliance on historical data sets
- “Ignorance” of circular feedback loops

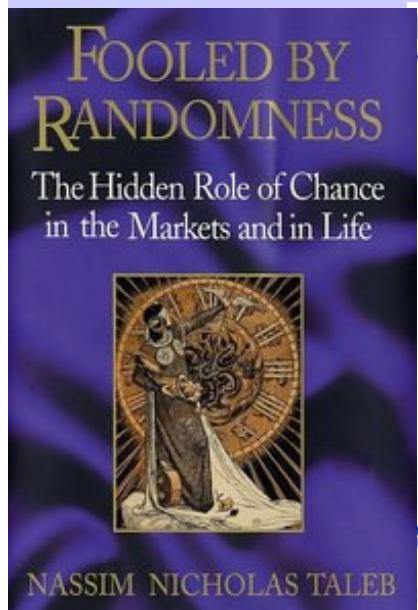
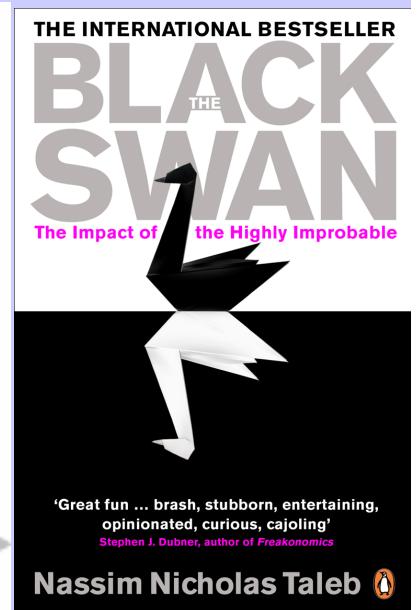
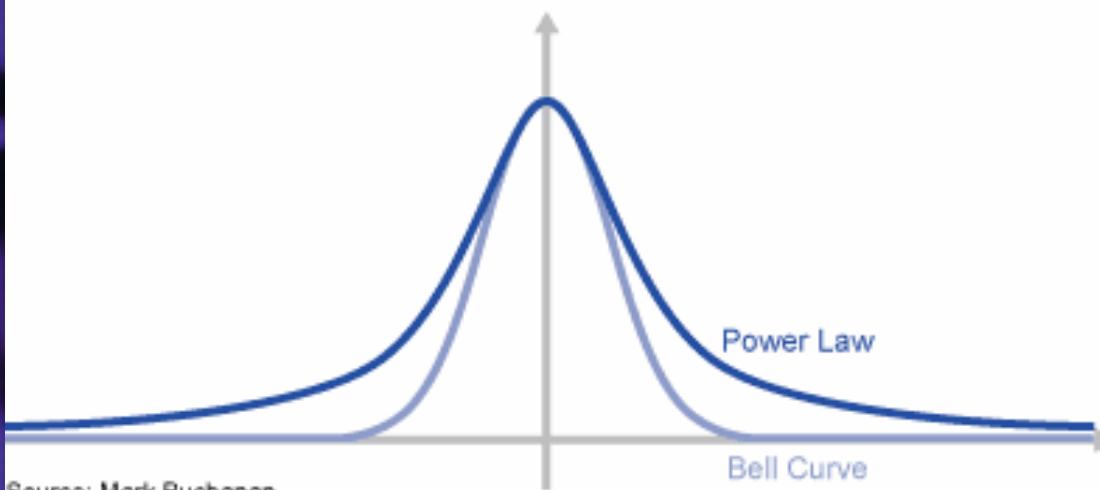
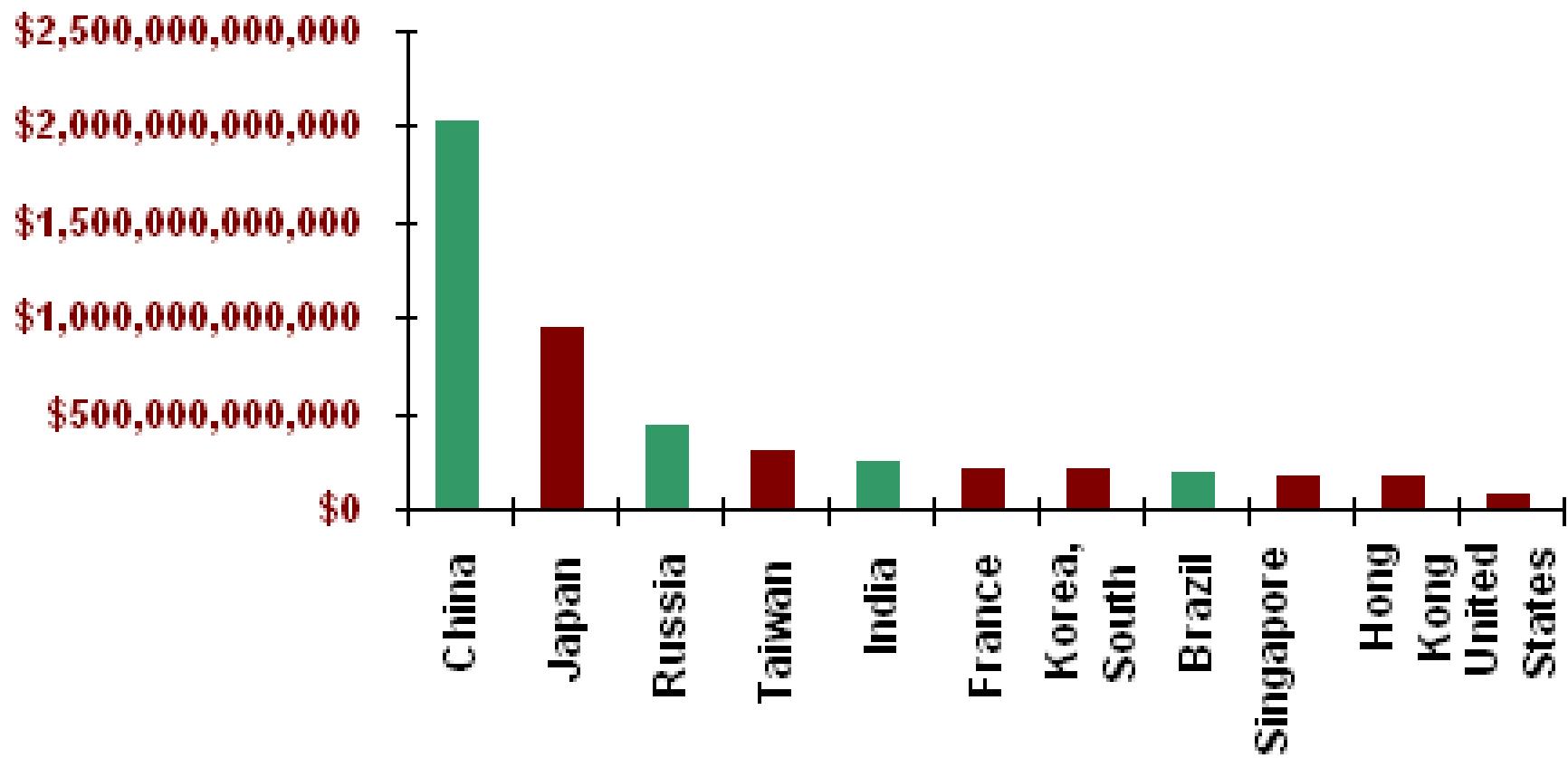


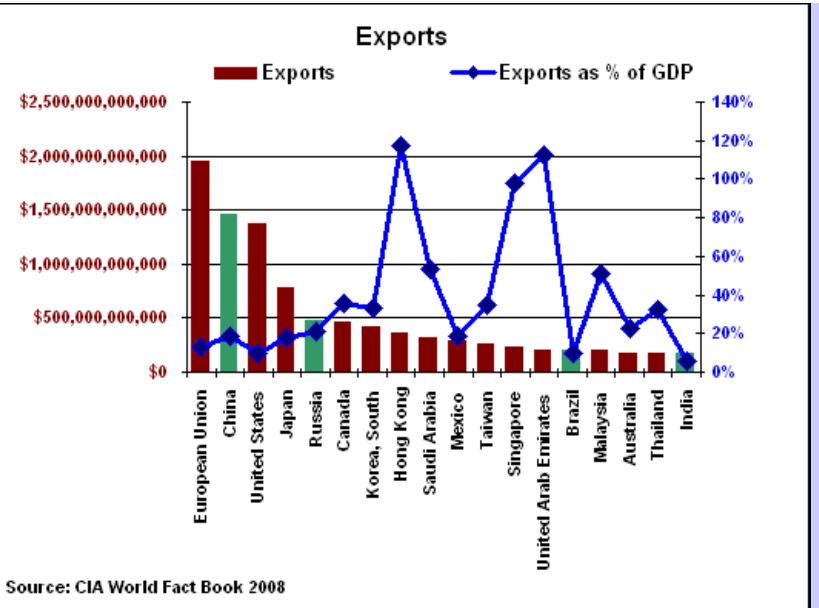
Exhibit 1:
The Bell Curve vs. the Power Law: The Importance of “Fat Tails”



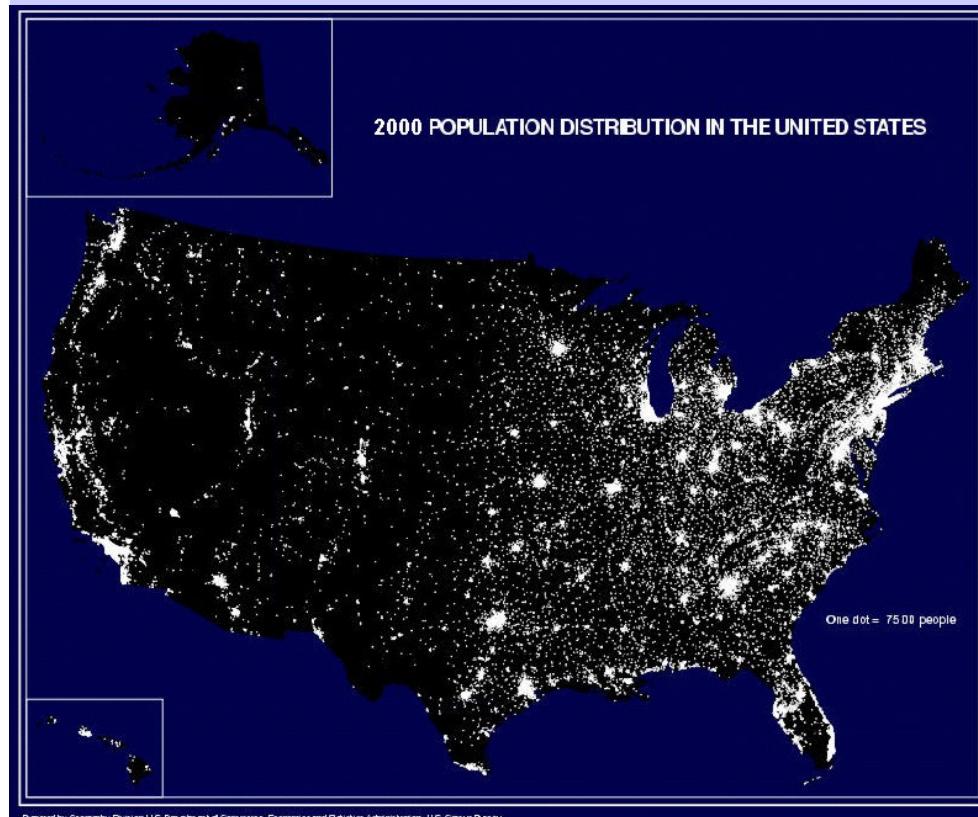
Foreign Reserves including Gold



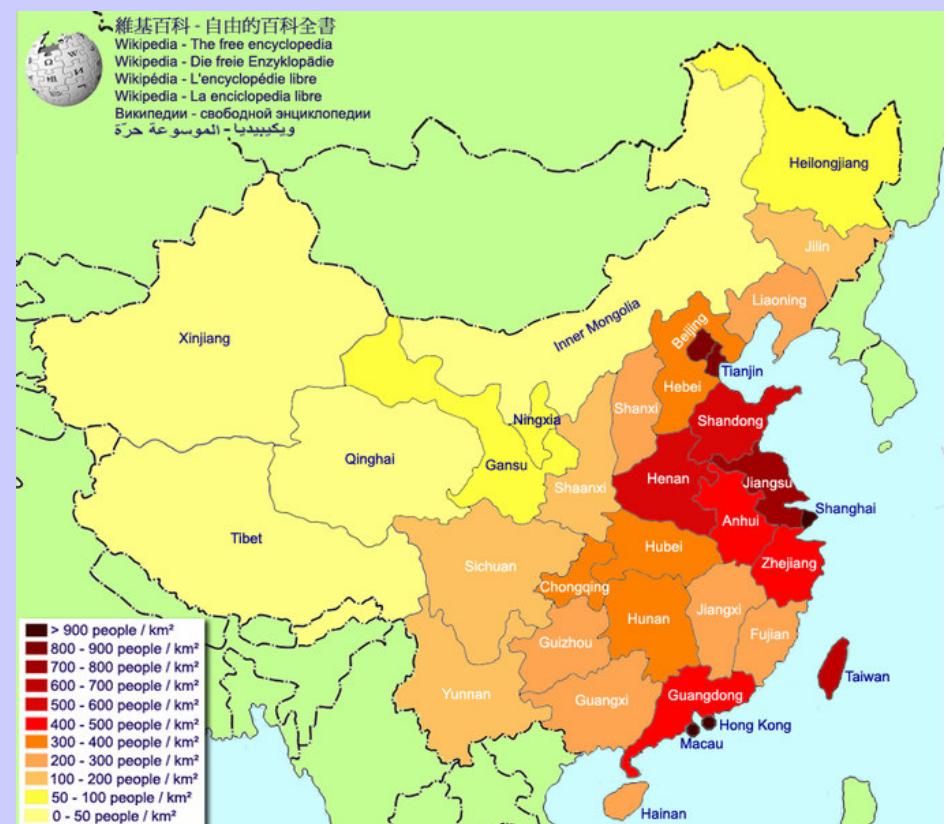
Source: CIA World Fact Book 2008

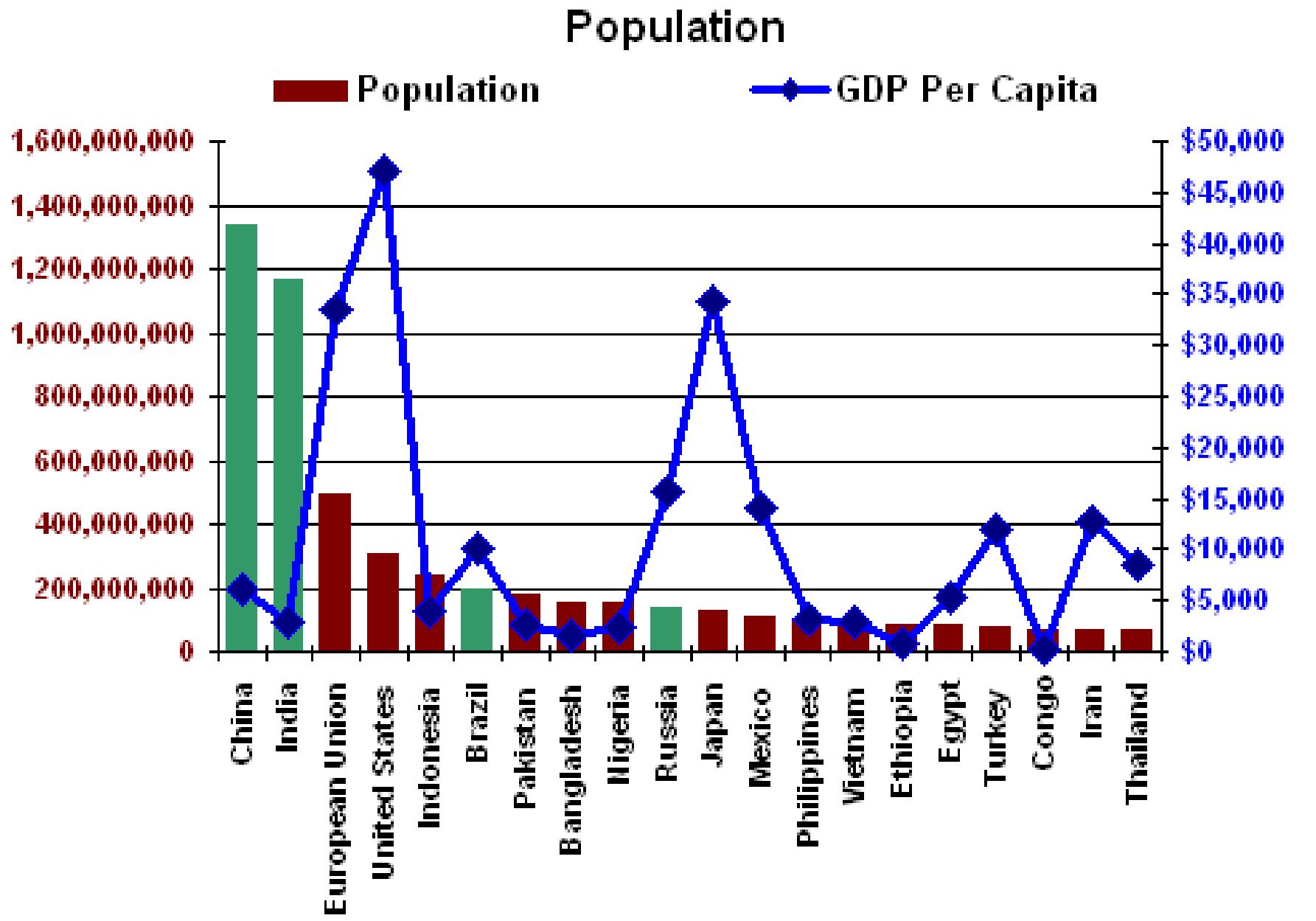


Source: CIA World Fact Book 2008



China's Solution: extending infrastructure into the hinterland to boost its domestic economy and reduce dependency on exports



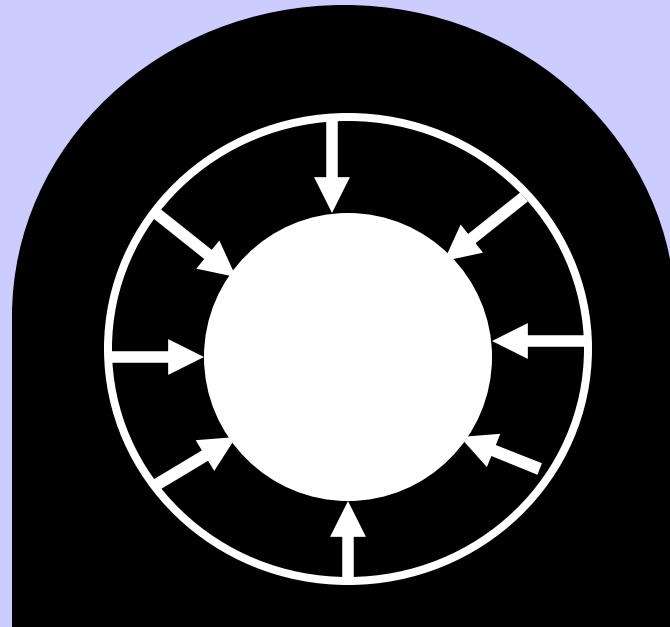


Source: CIA World Fact Book 2008

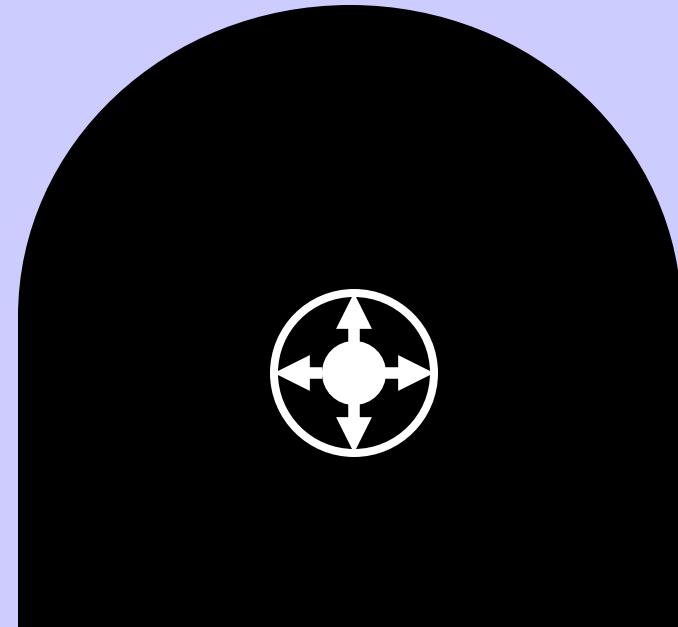
A Matter of Perspective

Is your standard of living shrinking or growing?

Is your footprint growing or shrinking?



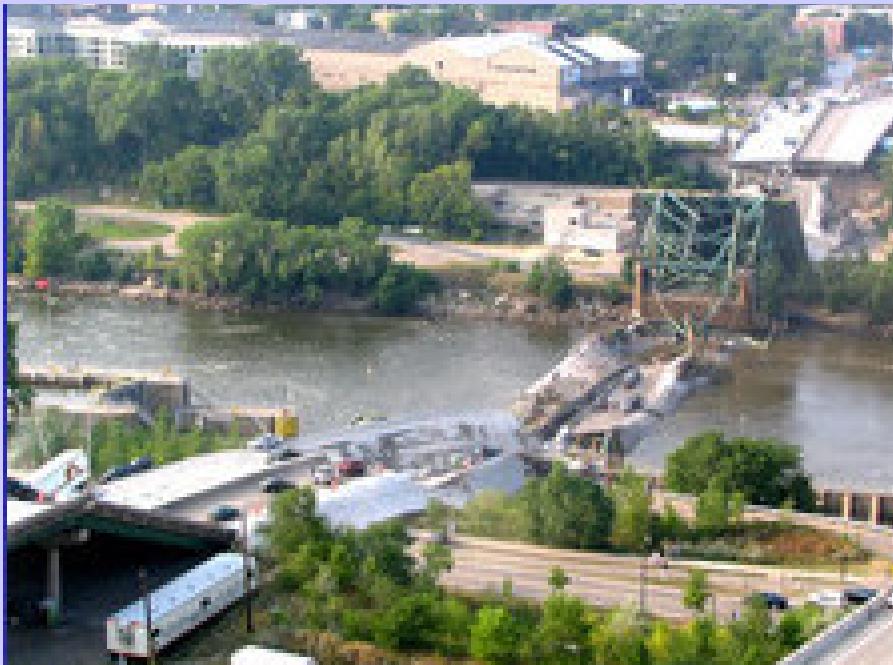
1 Billion OECD



3 Billion BRIC

America's Solution: Transformative Infrastructure Renewal

- Footprint Consciousness as a response to the end of debt fueled consumption
- De-Concentration of Manufacturing
- Geopolitical strategies geared toward long term balance of power shifts
- Indebting future generations by creating legacy rather than looting for the benefit of boomers
- Bhutan and its Gross National Happiness Index



American Society of Civil Engineers estimates \$1.6 trillion needed over next 5 years just for infrastructure maintenance!

Two Key Questions:

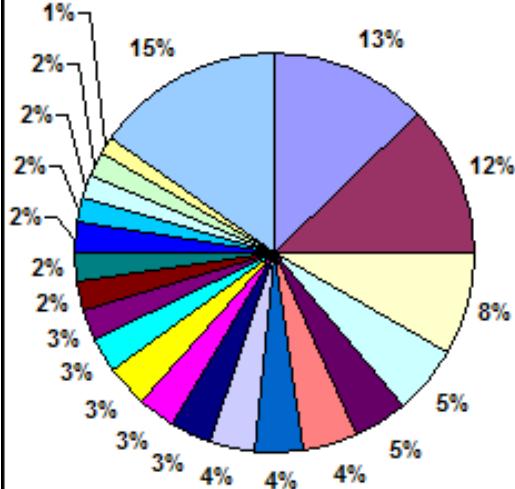
What is the total value of the crude oil the world burns up each year?

80 million barrels per day x 365 days x \$50 per barrel = **\$1.5 trillion**

What is the total value of the entire above ground gold stock?

5 billion ounces gold x \$900 per oz = **\$4.5 trillion**

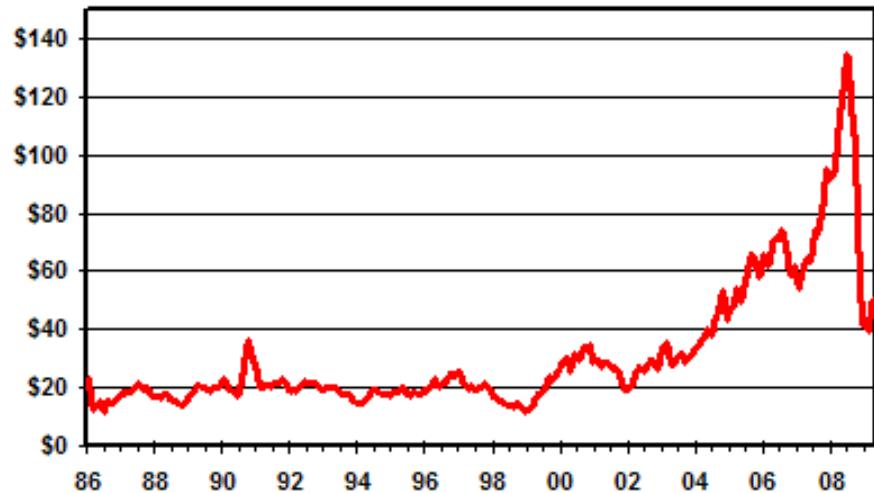
Global Crude Oil Production
2007 Total: 29.8 billion bbl
\$3.2 trillion at \$108 / bbl



Source: BP 2007

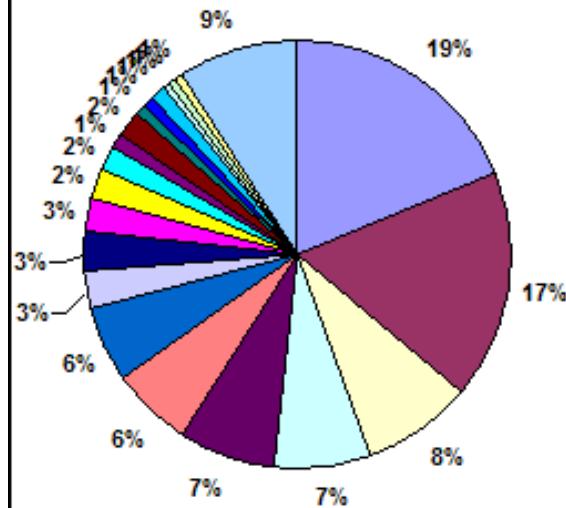
- Saudi Arabia
- Russian Federation
- USA
- Iran
- China
- Mexico
- Canada
- United Arab Emirates
- Kuwait
- Venezuela
- Norway
- Nigeria
- Iraq
- Algeria
- Libya
- Brazil
- Angola
- United Kingdom
- Kazakhstan
- Qatar
- Other

Monthly Average Prices
US \$/barrel



WTI Crude

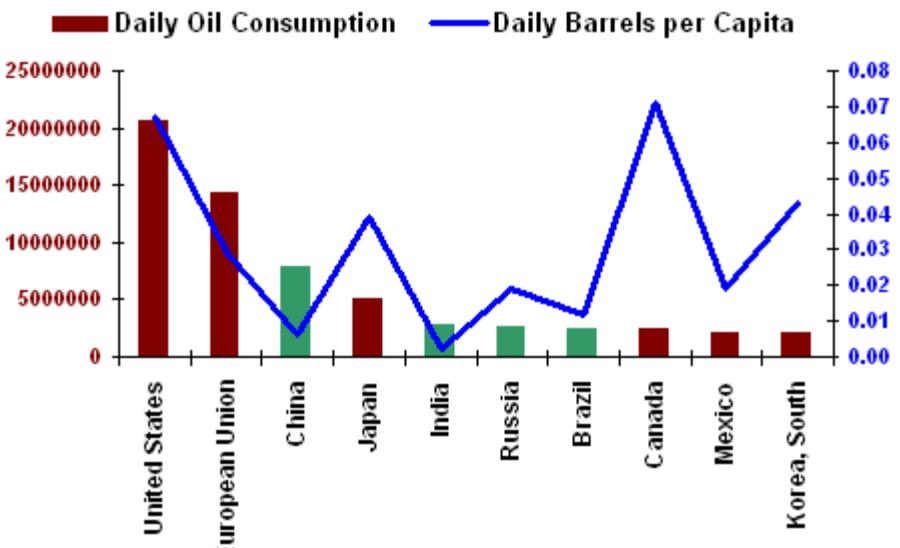
Global Crude Oil Reserves
2007 Total: 1.4 trillion bbls



Source: BP 2006

- Saudi Arabia
- Iran
- Iraq
- Kuwait
- United Arab Emirates
- Venezuela
- Russian Federation
- Libya
- Kazakhstan
- Nigeria
- USA
- Canada
- China
- Qatar
- Mexico
- Algeria
- Brazil
- Angola
- Norway
- Azerbaijan
- Other

Daily Oil Consumption (85.2 million bbl global)



Source: CIA World Fact Book 2008



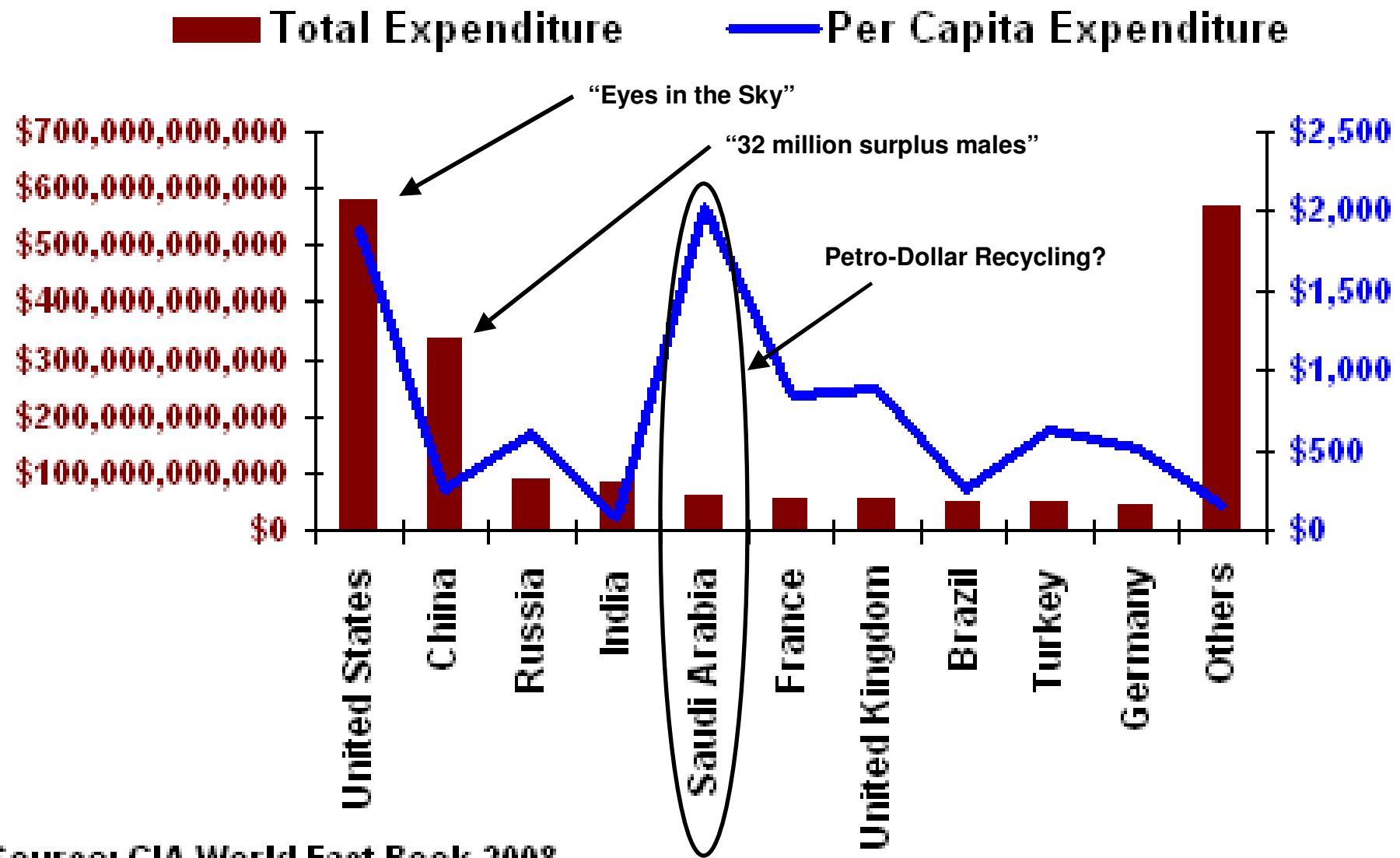
Project for a New American Century



NEO-CONS

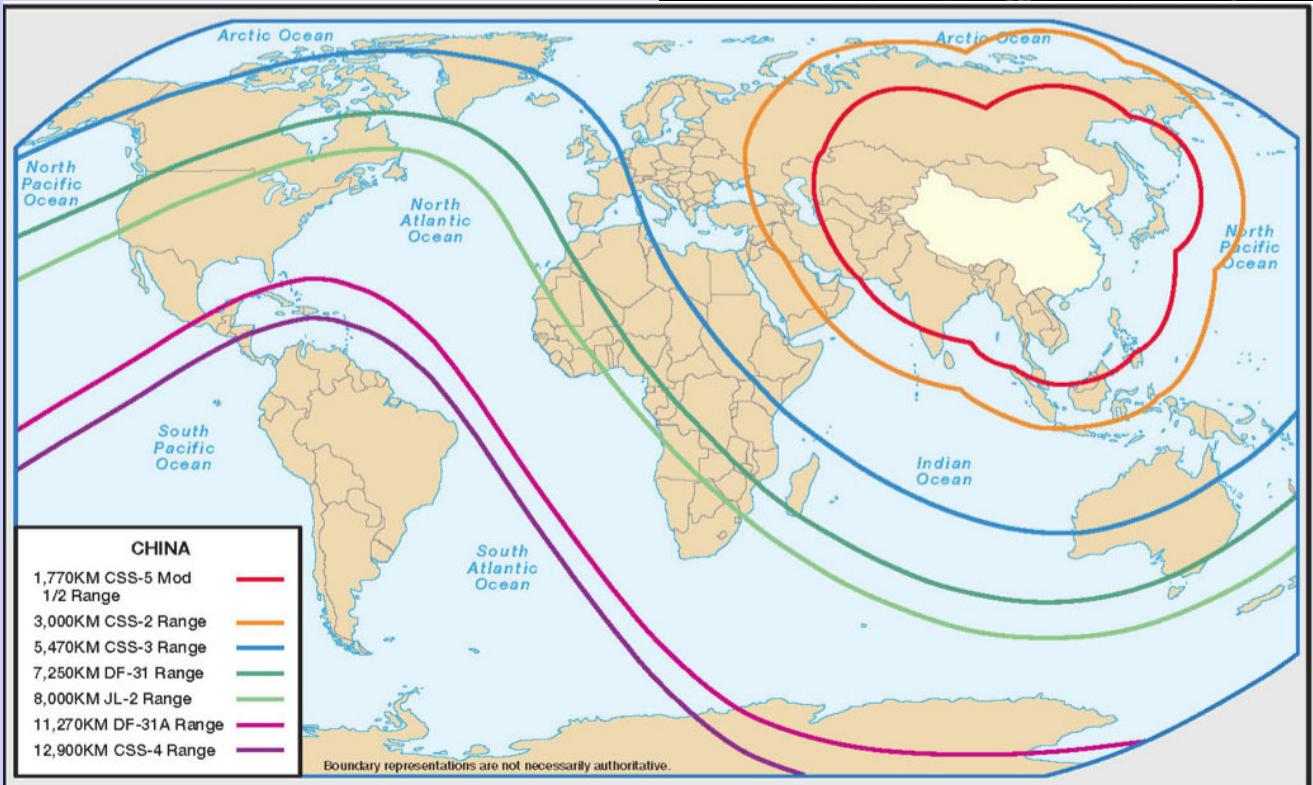
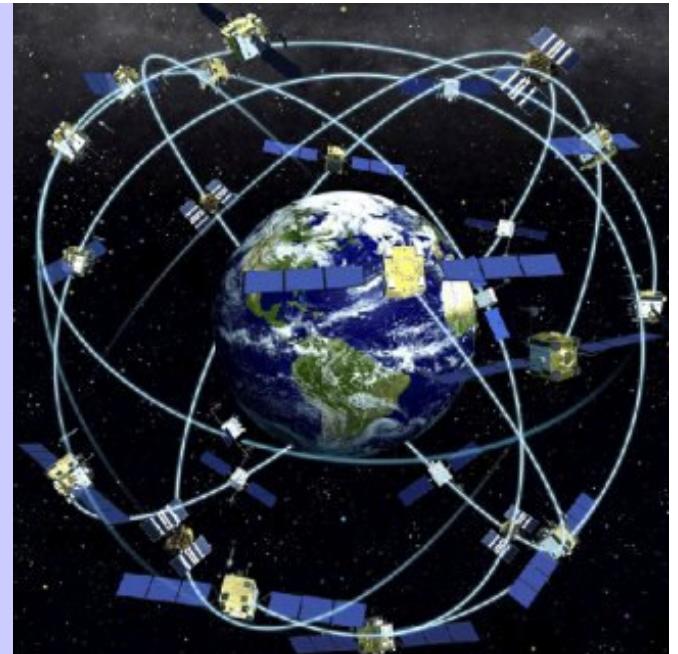
- Bush “elected” in 2000
- September 11 terror attack
- Neo-Cons push PNAC
- Permanent War on Terror
- Homeland Security
- Weapons of Mass Destruction
- My Way or the Highway
- Shock & Awe
- Intelligent Design
- Taliban surges in Pakistan

Annual Military Expenditure (\$1.4 trillion)

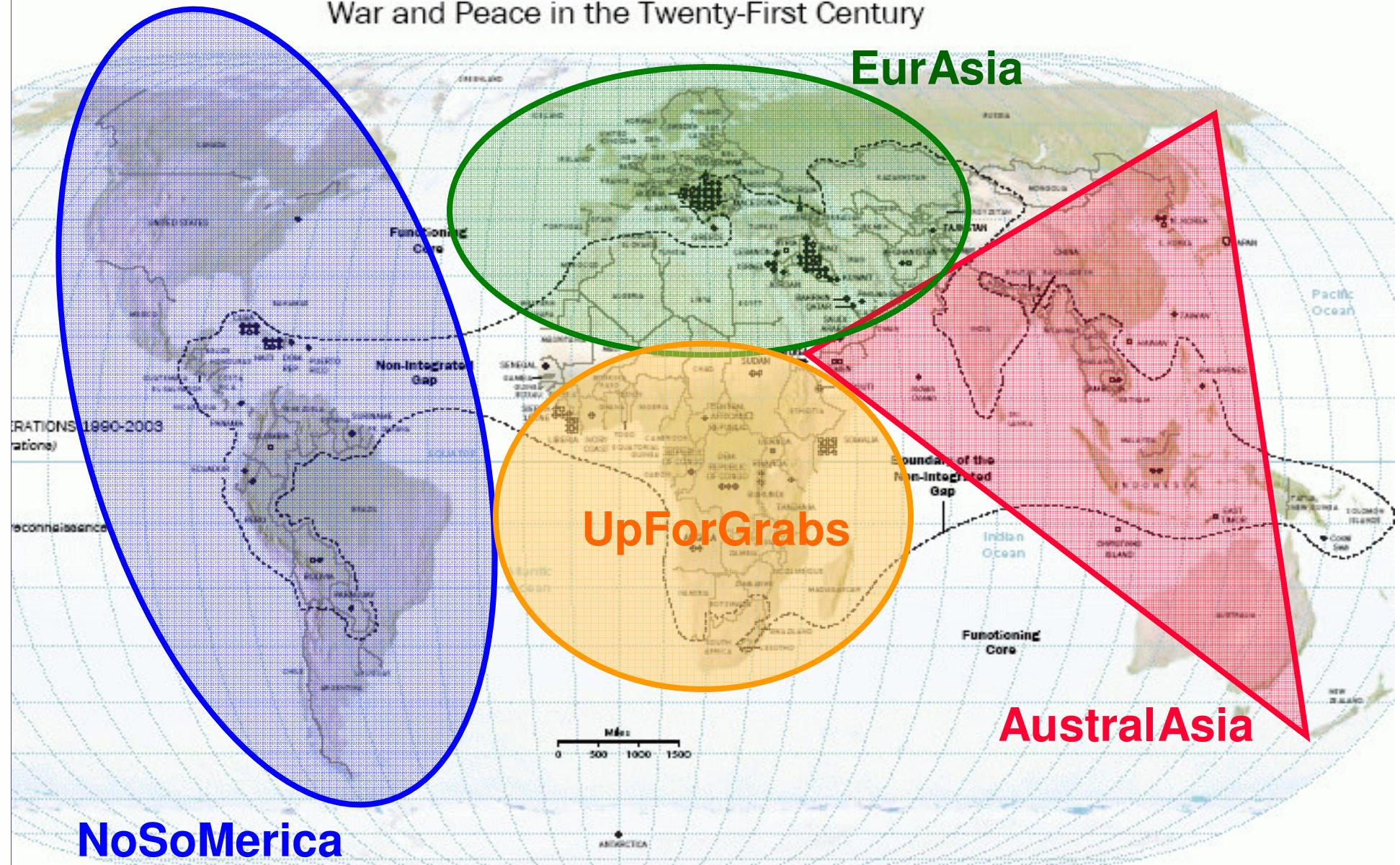


America's Eyes in the Sky:

Will a minefield of satellite debris eventually poke them out?



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

© 2003 by William McRaney.
Reprinted by permission of G.P. Putnam's Sons and Thomas P.M. Barnett.

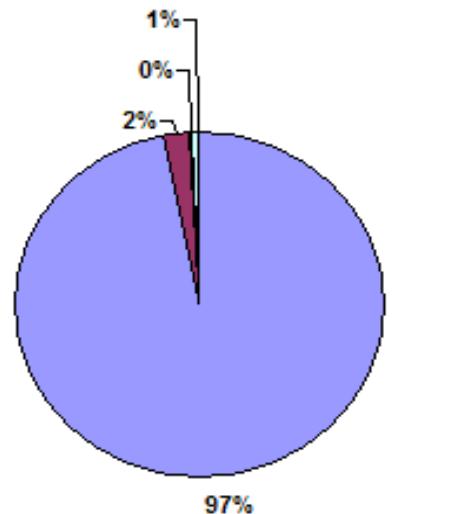
AU:LYC Weekly —

5/05/09



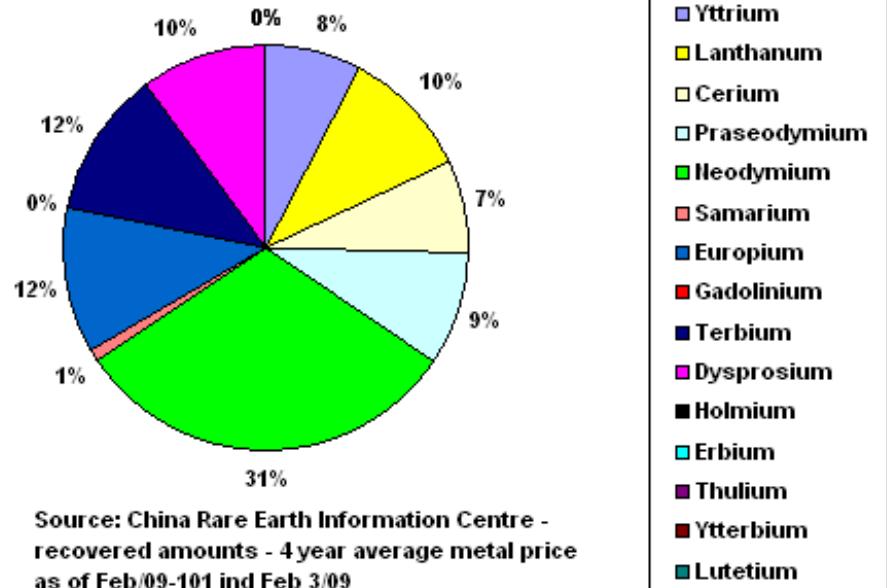
Security & Redundancy of Supply — Infrastructure Support Metals

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



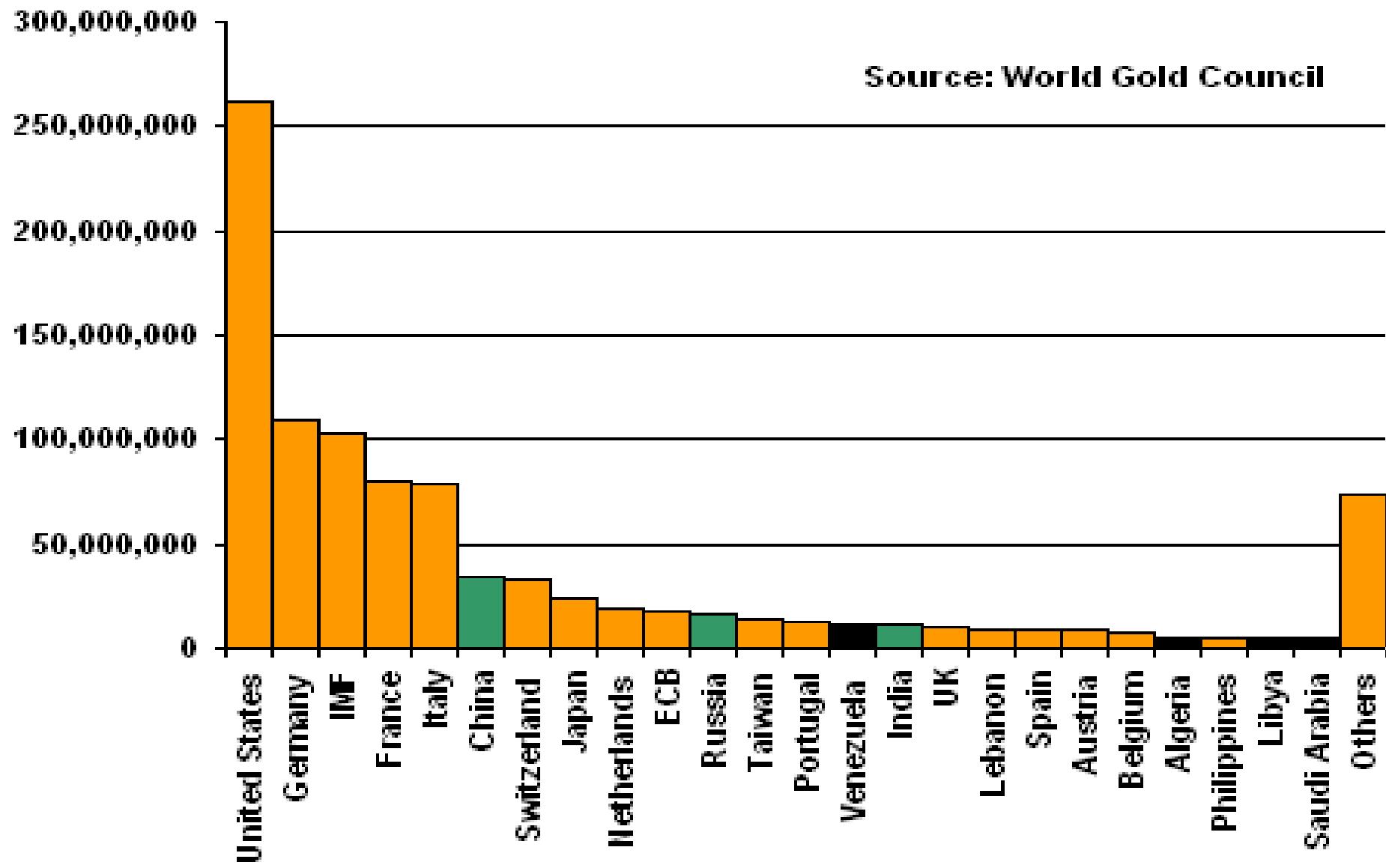
Source: USGS 2007

REO 2005 Production Value - \$1.02 billion



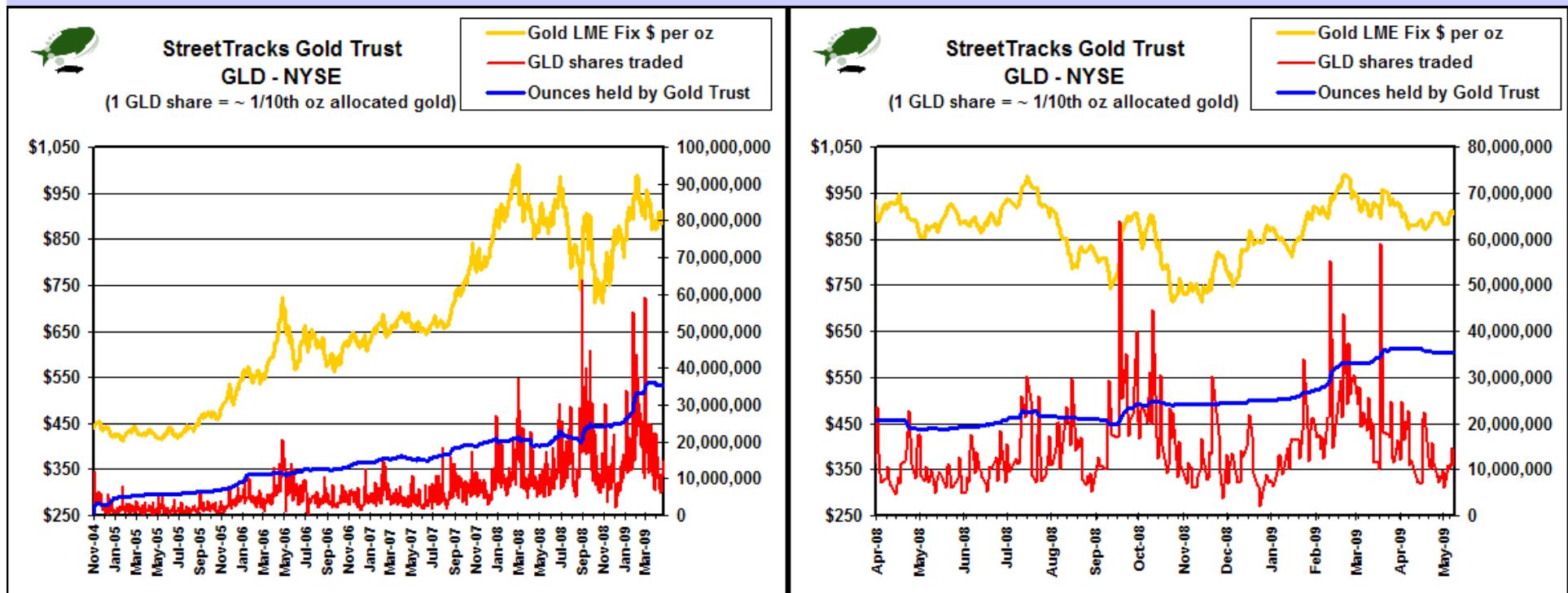
Official Gold Holdings - March 2009

955 million ounces



Ways to Profit from Gold

- **Own physical bullion or coins:** storage costs, punitive “collectible” taxation in US (ie 37% California), cost and hassle of selling gold, vulnerability to theft, nice to own some physical gold, but not a large chunk of one’s net worth.
- **Futures & Options Trading:** very leveraged, volatility of gold price can create huge losses, have expiration date, if you want to gamble there is no special reason to focus on gold.
- **Own Gold ETF:** same US taxation as physical gold, but can be held inside retirement accounts, cannot take delivery, useless in a back to the caves collapse of civilization, has direct value erosion due to ETF administrative cost, advantage of easy buying and selling, main value is to hedge a part of one’s net worth against long term uncertainty and ease of liquidation.

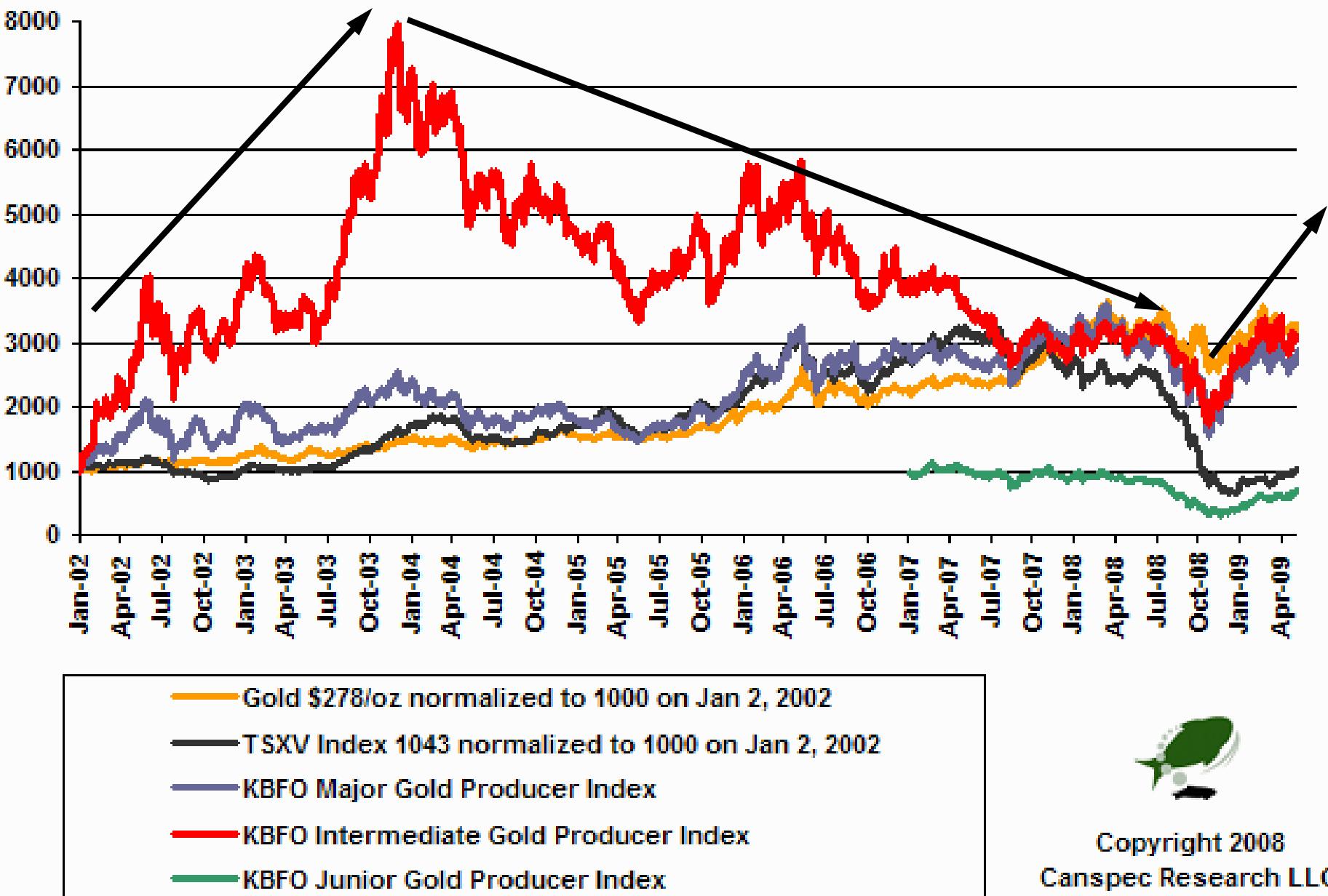


Ways to Profit from Gold

- **Invest in Gold Producers:** changes in the price of gold have a leveraged impact on gold producers, entrepreneurial creativity is a major factor, how well does the producer grow its production and reduce its average cost per oz?
- **Invest in marginal gold deposits:** market assigns a low value to deposits whose economics are weak at prevailing gold prices, in the current climate where we don't know if gold will be \$650 or \$1,350 a year from now, with \$1,350 uncharted territory, the market's inclination is to be pessimistic. A definitive breakout beyond \$1,000 not accompanied by a collapsing US dollar or soaring inflation, would put many "sleeper" deposits into the money.
- **Invest in gold deposits with an "obstacle":** some deposits have sufficient grade and tonnage to be economic, but cannot be put into production for various reasons such as infrastructure problems, metallurgy, social license, geopolitical risk, restrictive mining laws, environmental issues, and title issues. Some can be solved by the company, while others cannot. These companies have low valuations that would jump sharply if the obstacle is overcome.
- **Invest in the exploration cycle:** speculate on projects that are at different stages of the exploration cycle in the hope that a major discovery is made or the feasibility of a deposit gets established at prevailing gold price. This can produce the biggest gains, but there is little appetite at the moment for exploration.

KBFO Gold Producer Indices

May 8, 2009

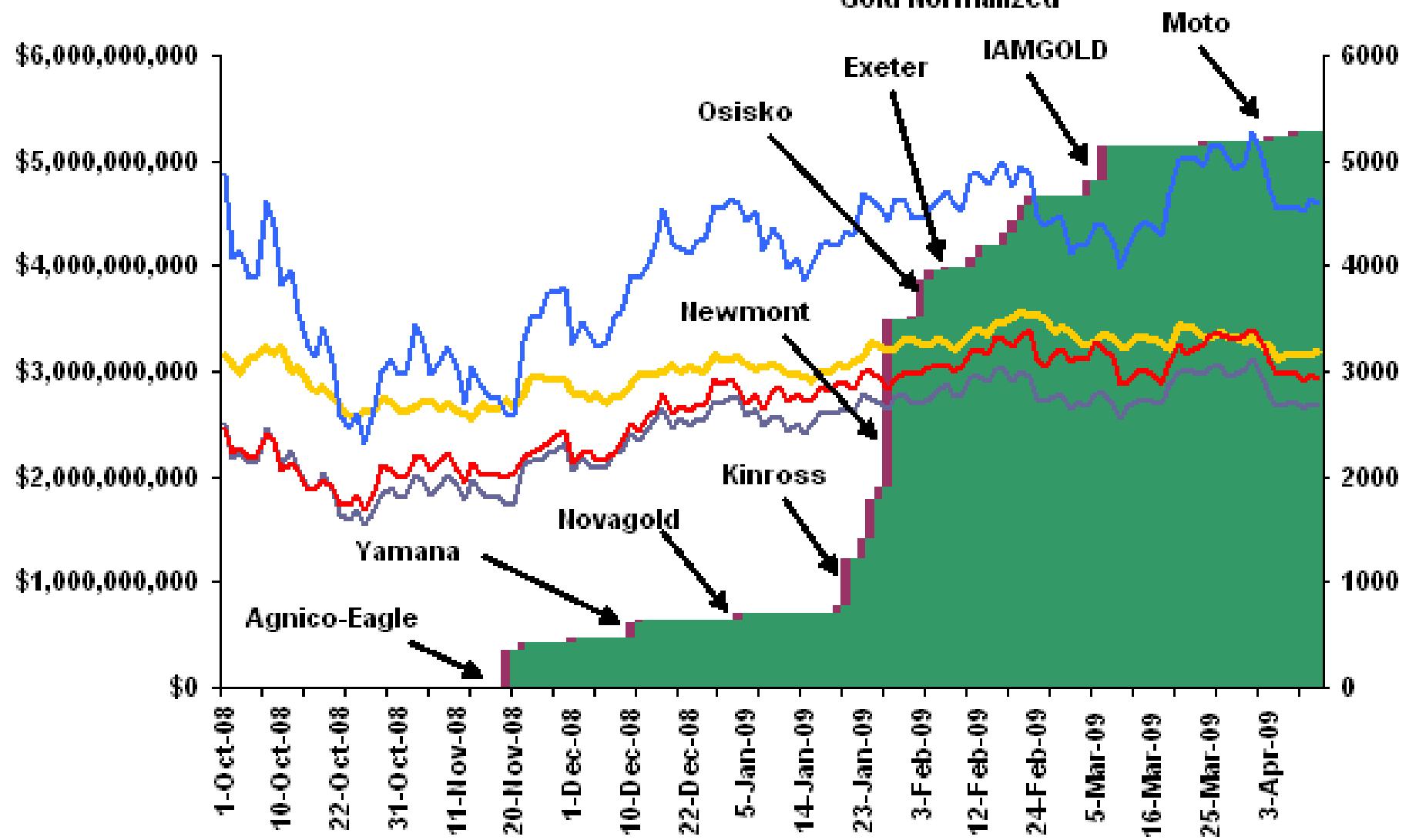


Copyright 2008
Canspec Research LLC

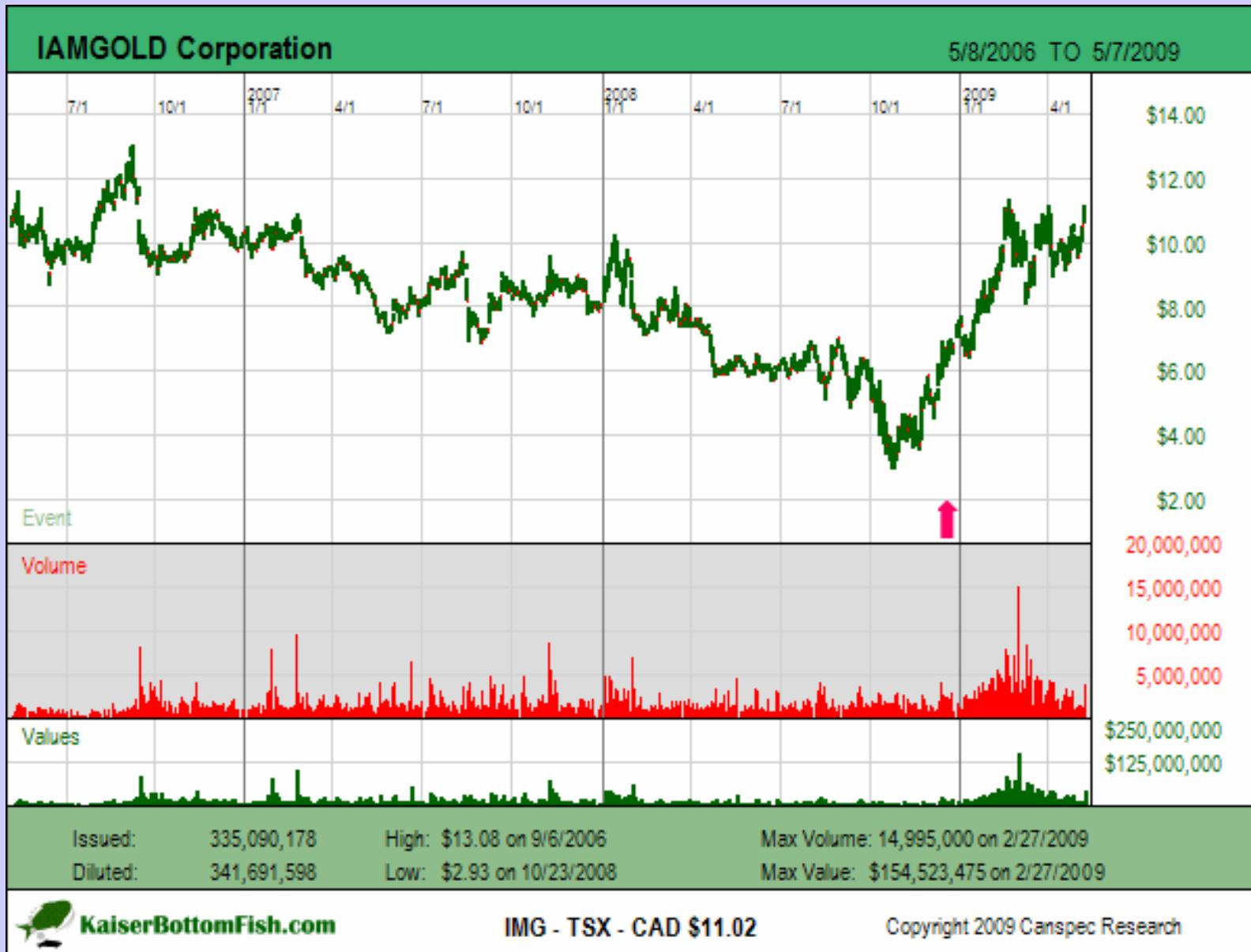
Gold & Silver Equity Financing Activity

\$5.3 billion raised Oct 1, 2008 to Apr 14, 2009

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



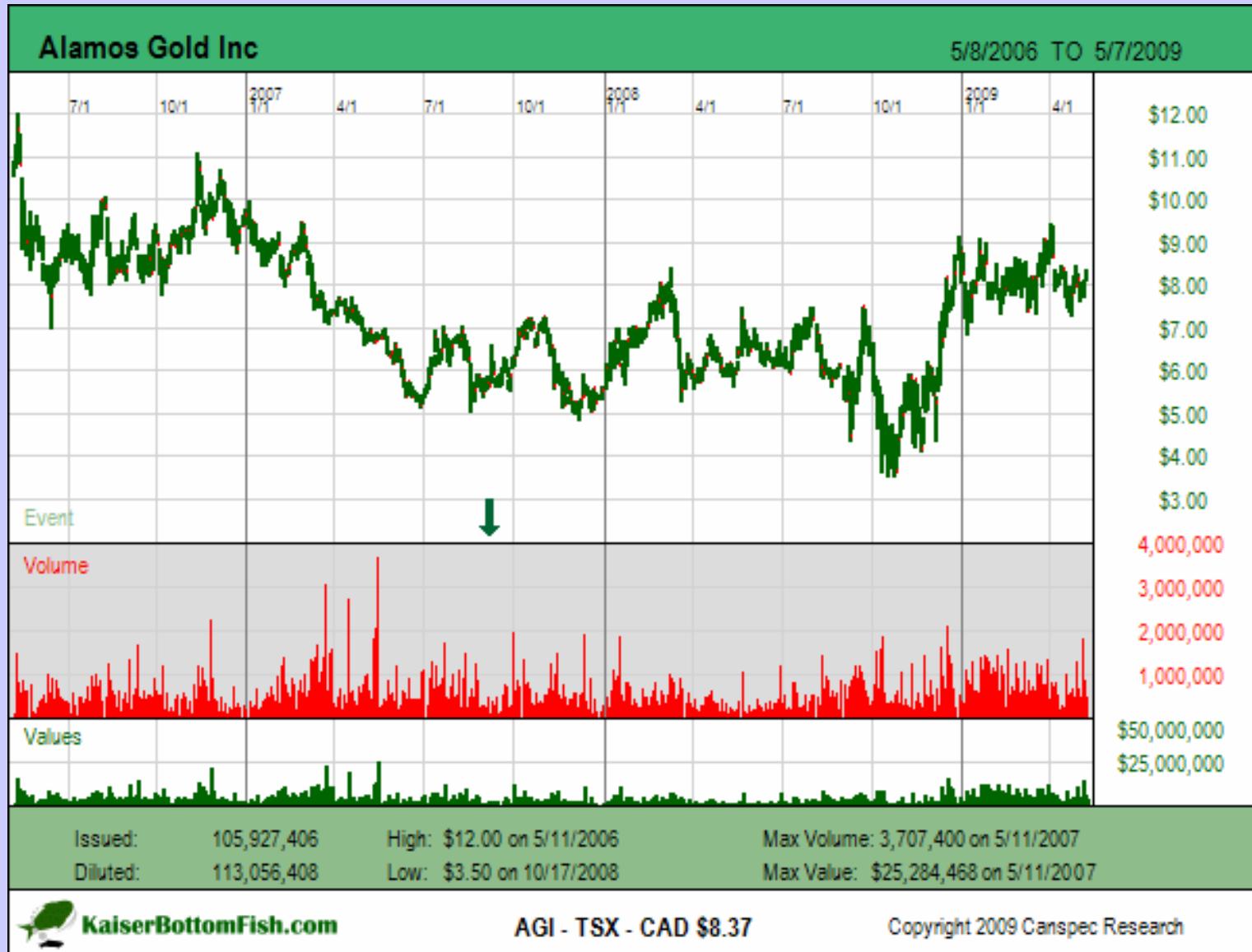
Major Producer Growth by Acquisition & Development



Intermediate Producer Growth by Internal Development of Existing Deposits



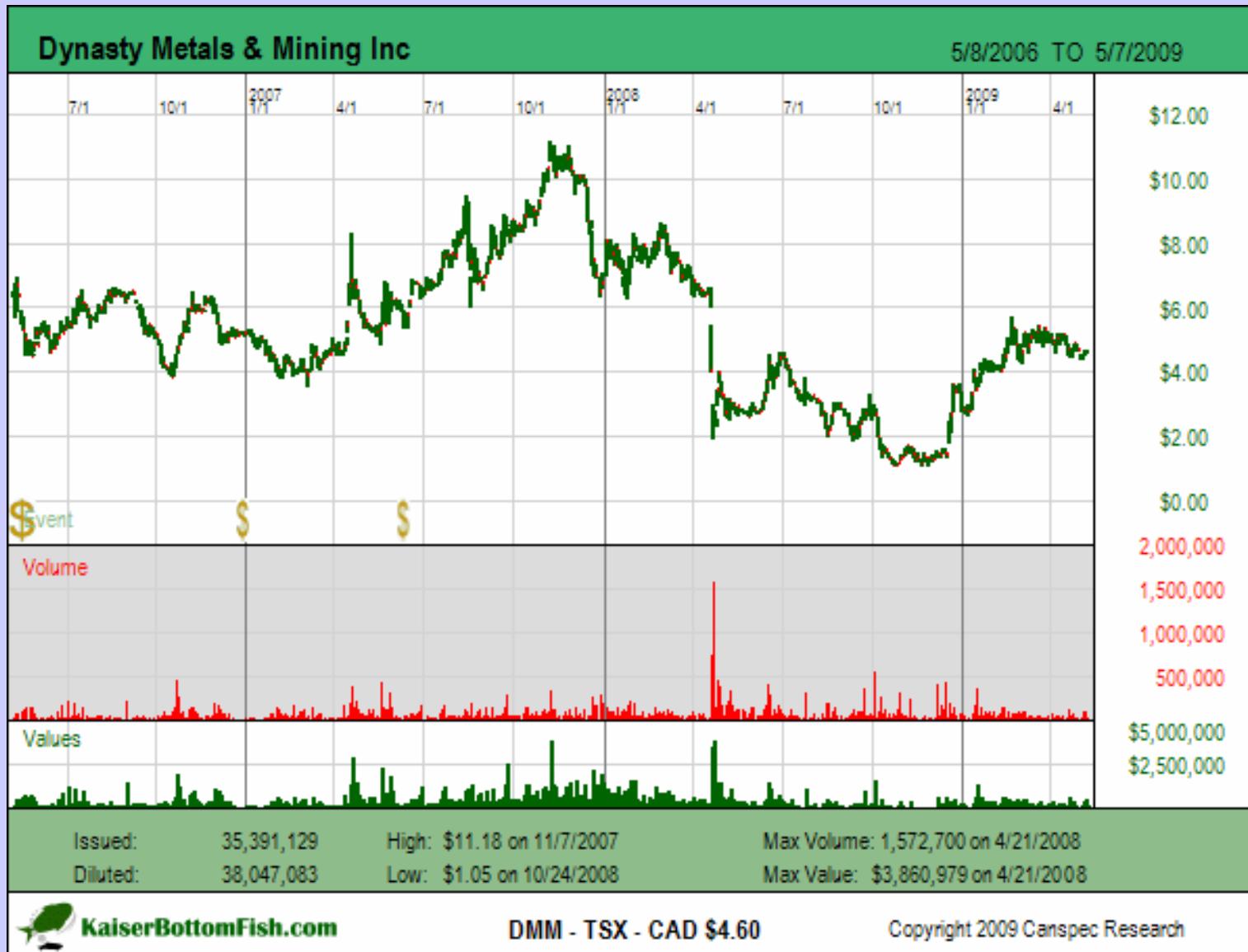
Intermediate Producer Growth by Production Expansion of Existing Mine





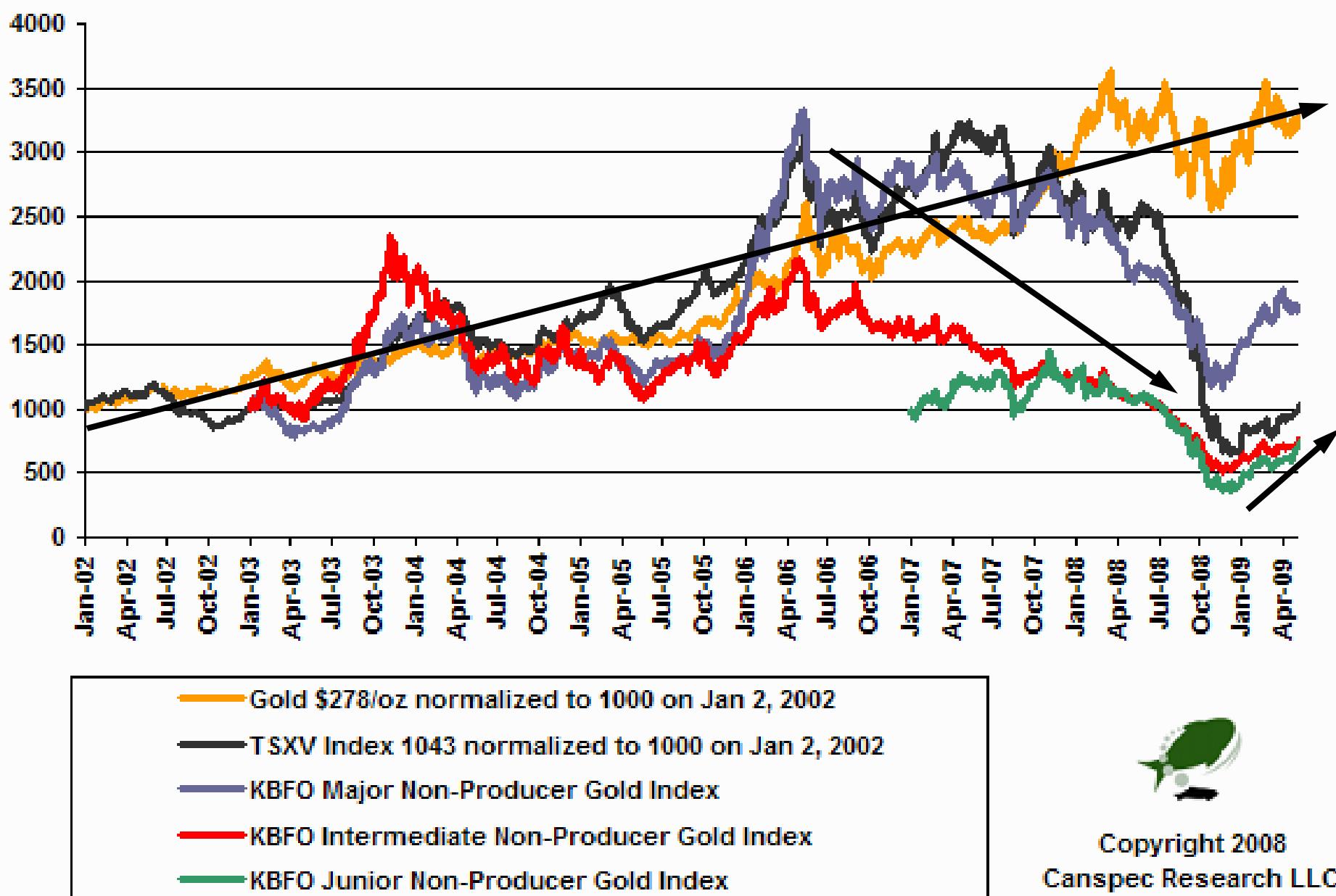
Intermediate Producer Growth by Acquisition of Marginal Producers to achieve the critical mass that makes the stock an institutional favorite when gold is on the move.

Junior Producer Growth by Multiple Small Scale Mine Development



KBFO Gold Non-Producer Indices

May 8, 2009



Copyright 2008
Canspec Research LLC

Non-Producer Strategy: put a deposit into production



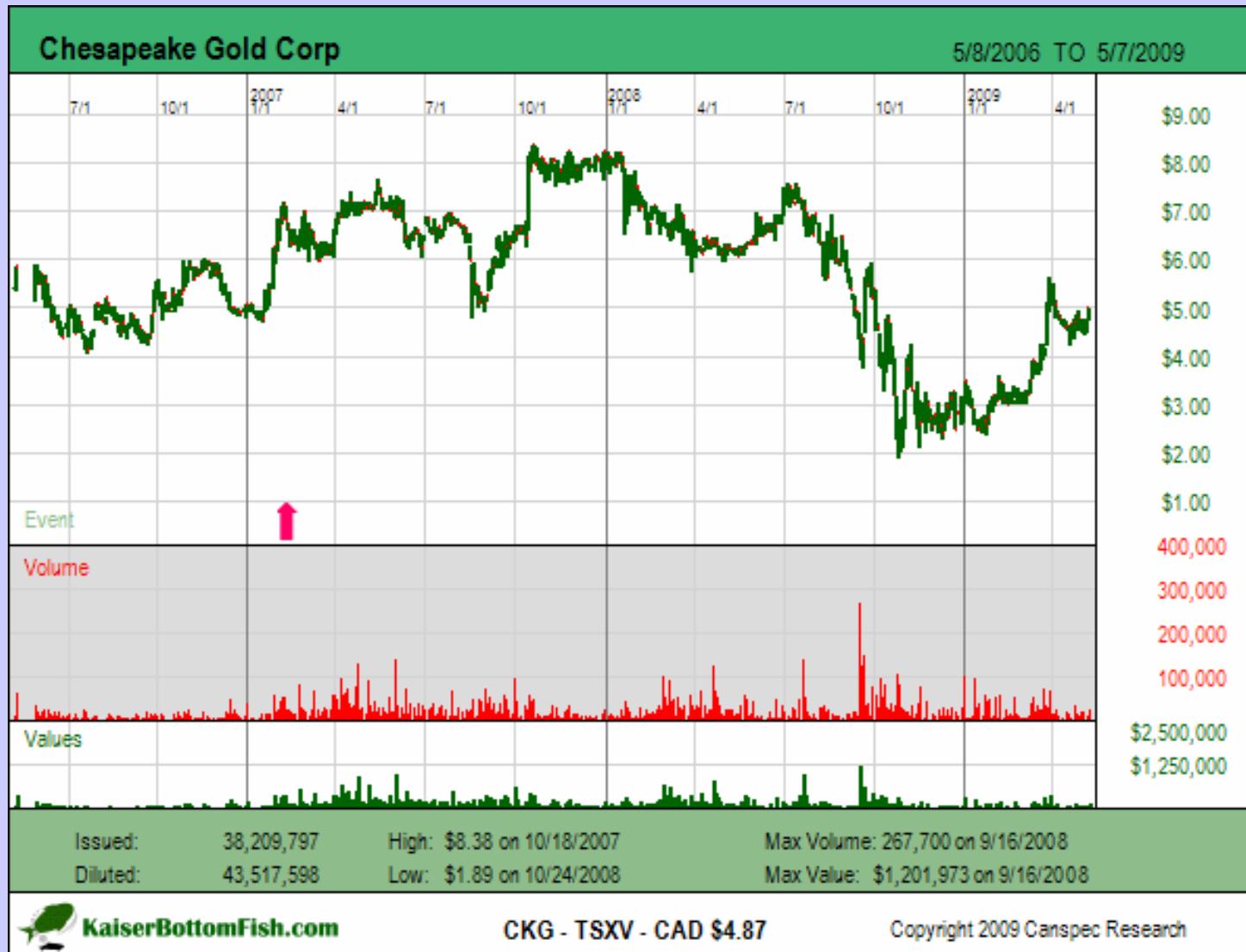
Non-Producer Strategy: wait for higher gold price to make existing ounces profitable while conducting brownfields exploration for new ounces



Non-Producer Strategy: waiting for the courts to confirm title.



Non-Producer Strategy: waiting for the price of gold to rise, increasing drill density to identify starter pit, and working on metallurgy.



Non-Producer Strategy: consolidating and exploring a new trend while pushing the flagship project to the point where the major must back-in or drop out.



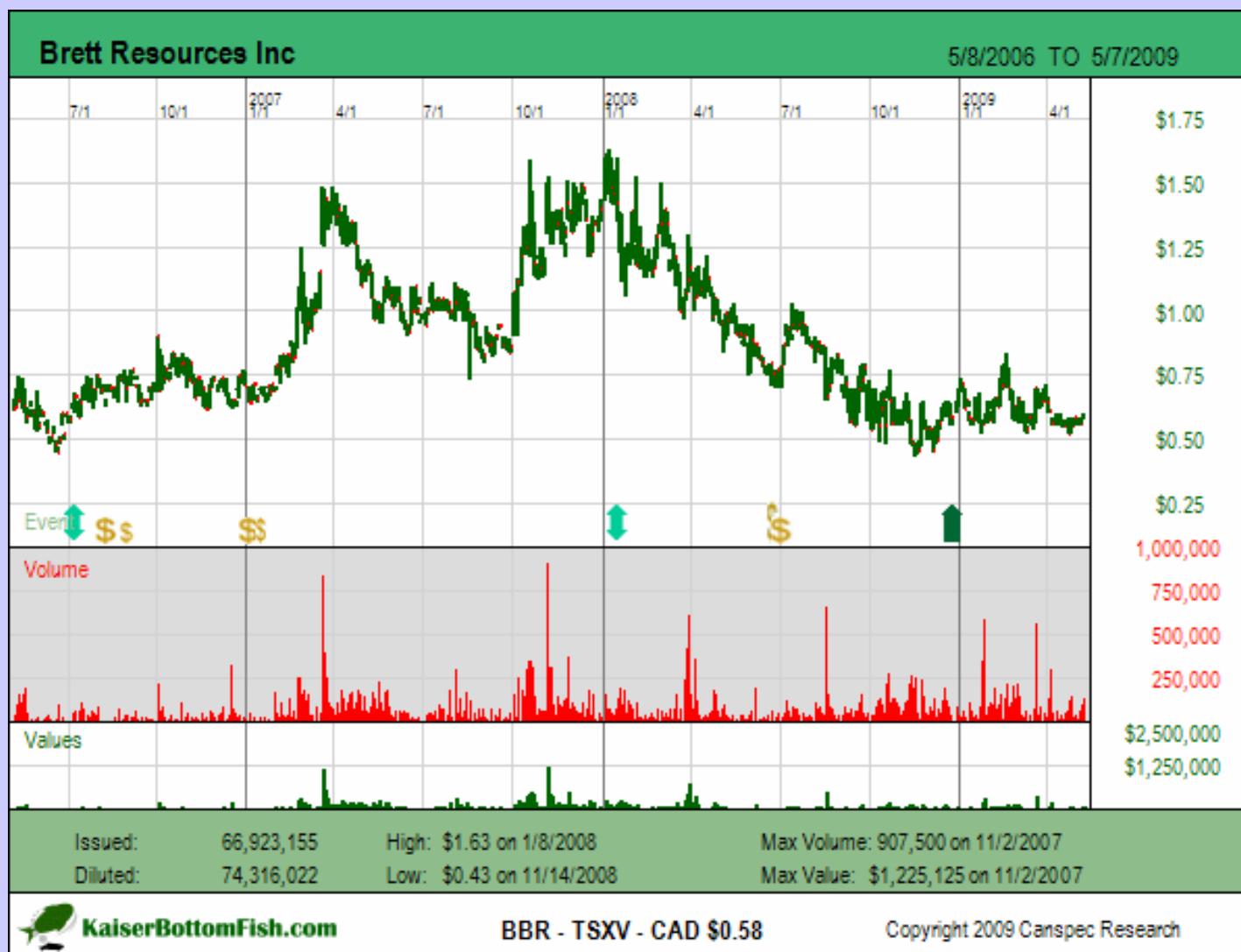
Non-Producer Strategy: solving title issue and over-coming perception of geopolitical risk.



Non-Producer Strategy: putting a small high grade deposit into production as a credibility building stepping stone for bigger projects.



Non-Producer Strategy: resource expansion & upgrading through infill and exploratory drilling.



Non-Producer Strategy: farmout of gold potential to a major while delineating 100% owned non-gold resource.



Non-Producer Strategy: delineating a discovery to build ounces while preparing for small scale production.

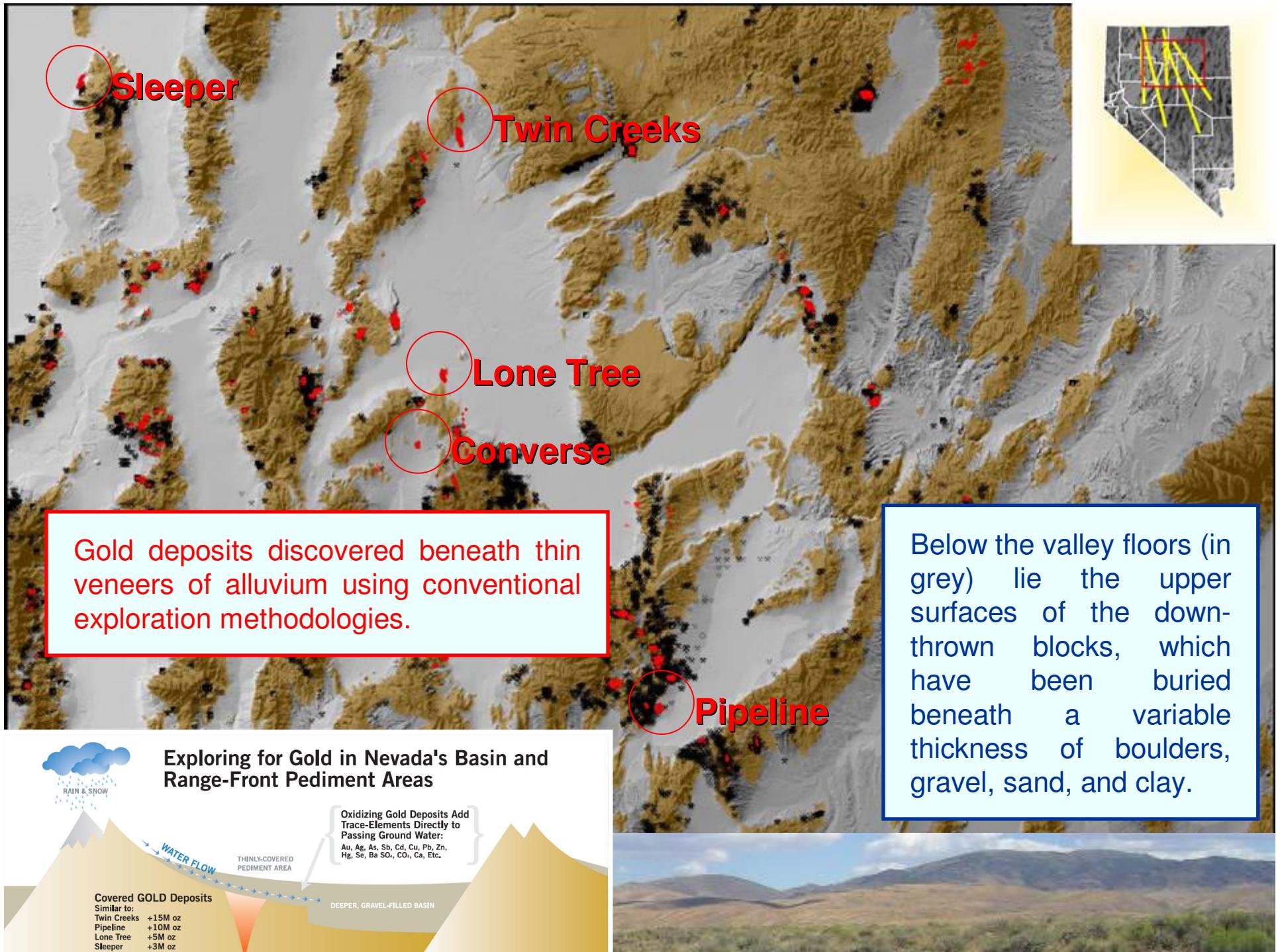


Non-Producer Strategy: drilling for the source of gold in till anomalies.



Non-Producer Strategy: grassroots exploration with a new target generation tool.





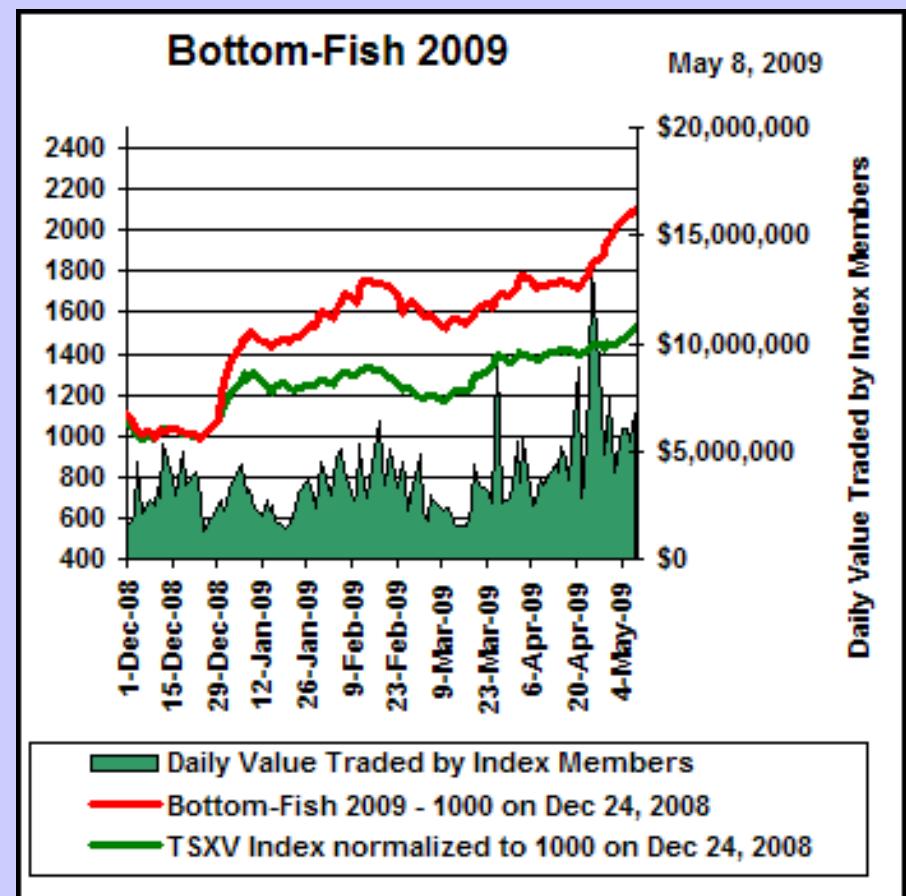
Aurelian Resources Inc

9/25/2002 TO 10/3/2008



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