

2009 PDAC

Toronto, Canada

March 1, 2009

Presented by John Kaiser

Bottom-Fishing Heaven or Hell

www.KaiserBottomFish.com



Kaiser Services

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

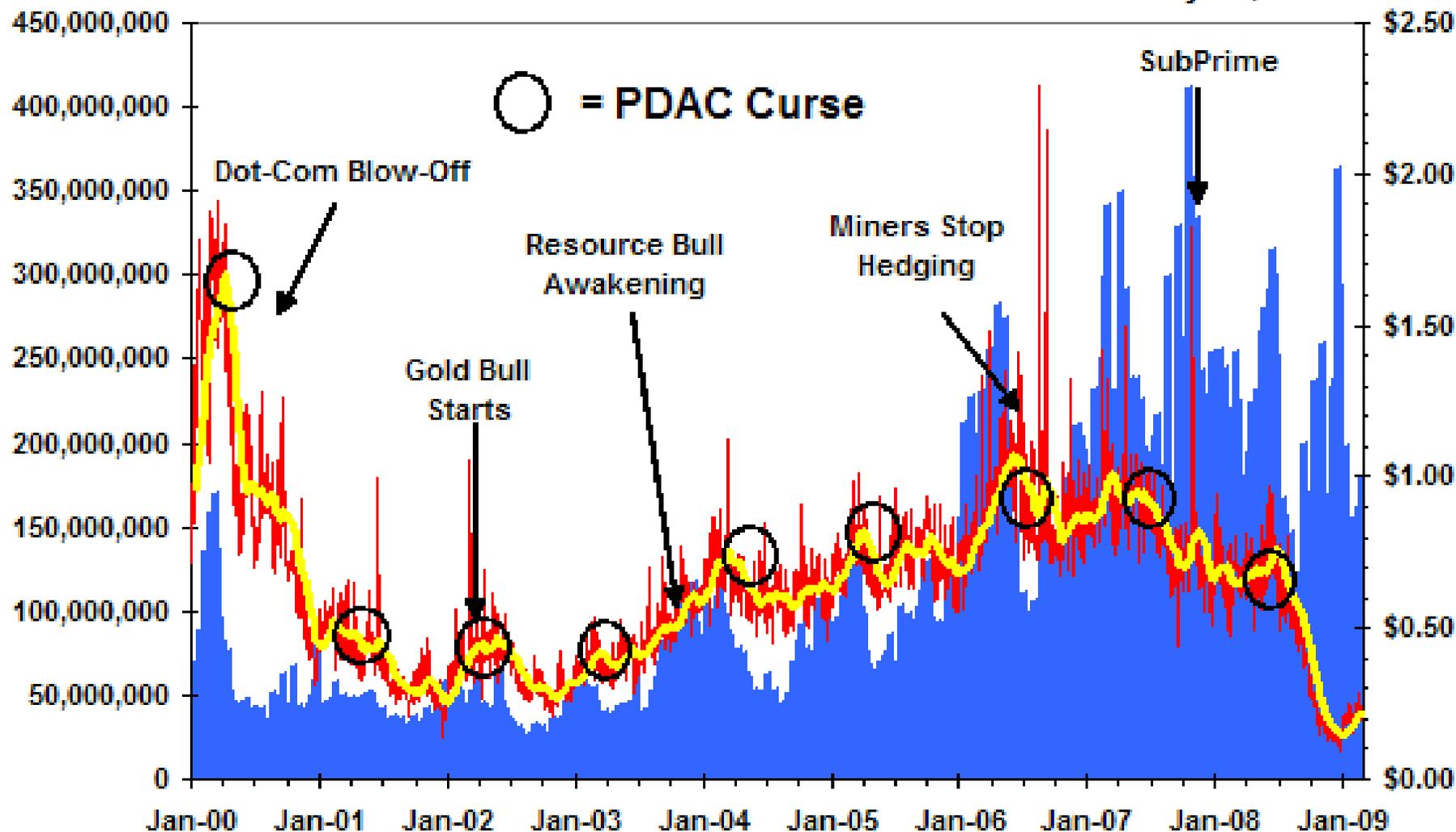
www.KaiserBottomfish.com

Daily TSXV Volume and Average Trading Share Price



Volume — Average Share Price — 30 Day Average Price

February 27, 2009



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

The Elements of Bottom-Fish Research

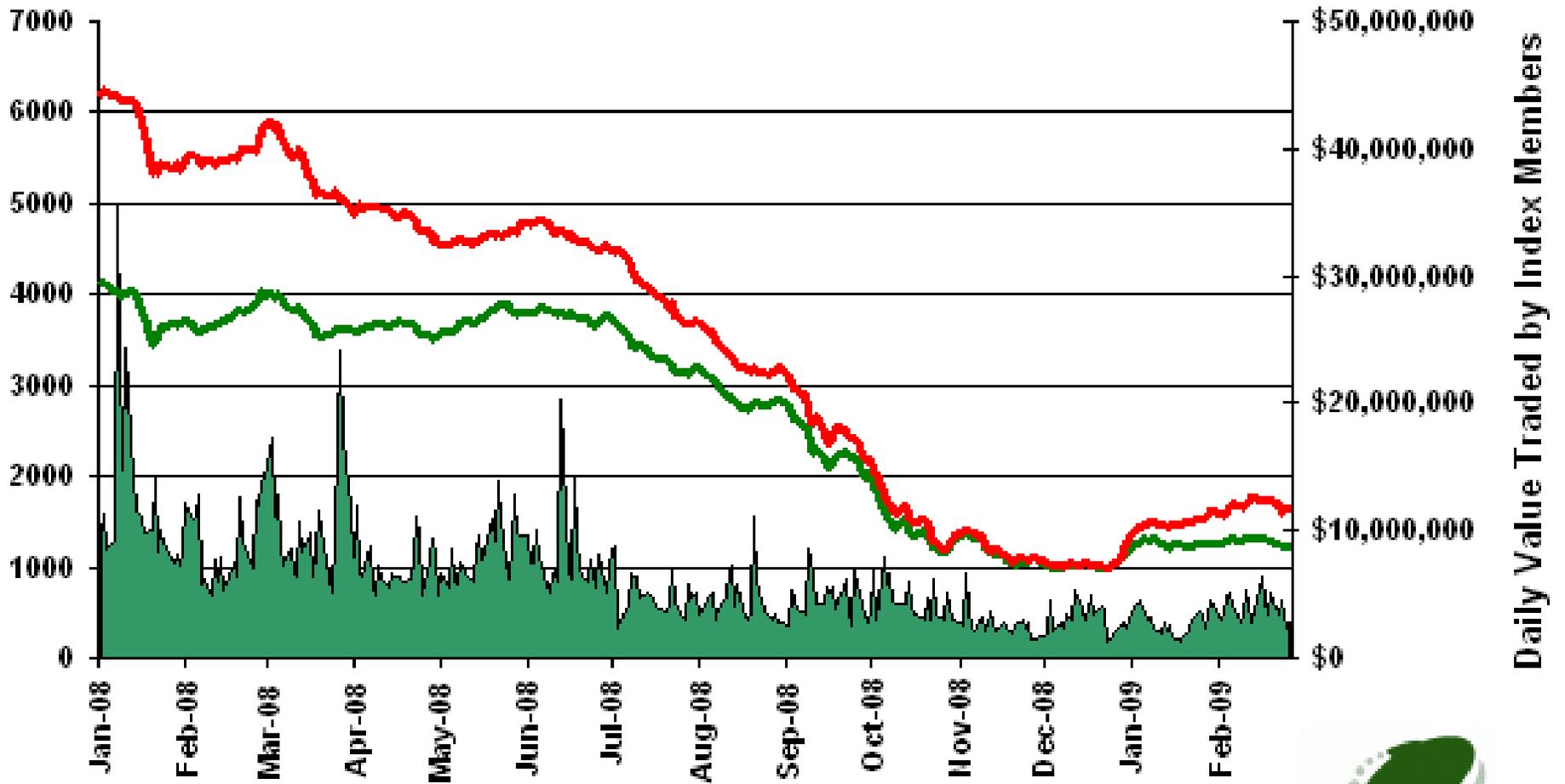
- **Chart:** does the stock chart have a bottoming pattern?
- **People:** is the management team full-fledged and does it have a track record of success?
- **Structure:** do insiders own enough paper to be motivated to turn the junior into a success?
- **Capital:** does the company have enough money 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?

Bottom-Fishing Hell?

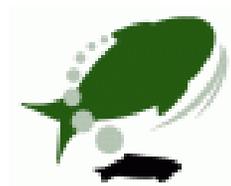
- **Bankruptcy, Suspension, Delisting** – projects under construction not fully funded are particularly vulnerable.
- **Corporate Reorganizations (RollBacks)** – large 10:1 or more stock consolidations followed by post-rollback 80-90% further price declines.
- **Massive Equity Dilution at rock bottom** – 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

Bottom-Fish 2009 Index

February 27, 2009



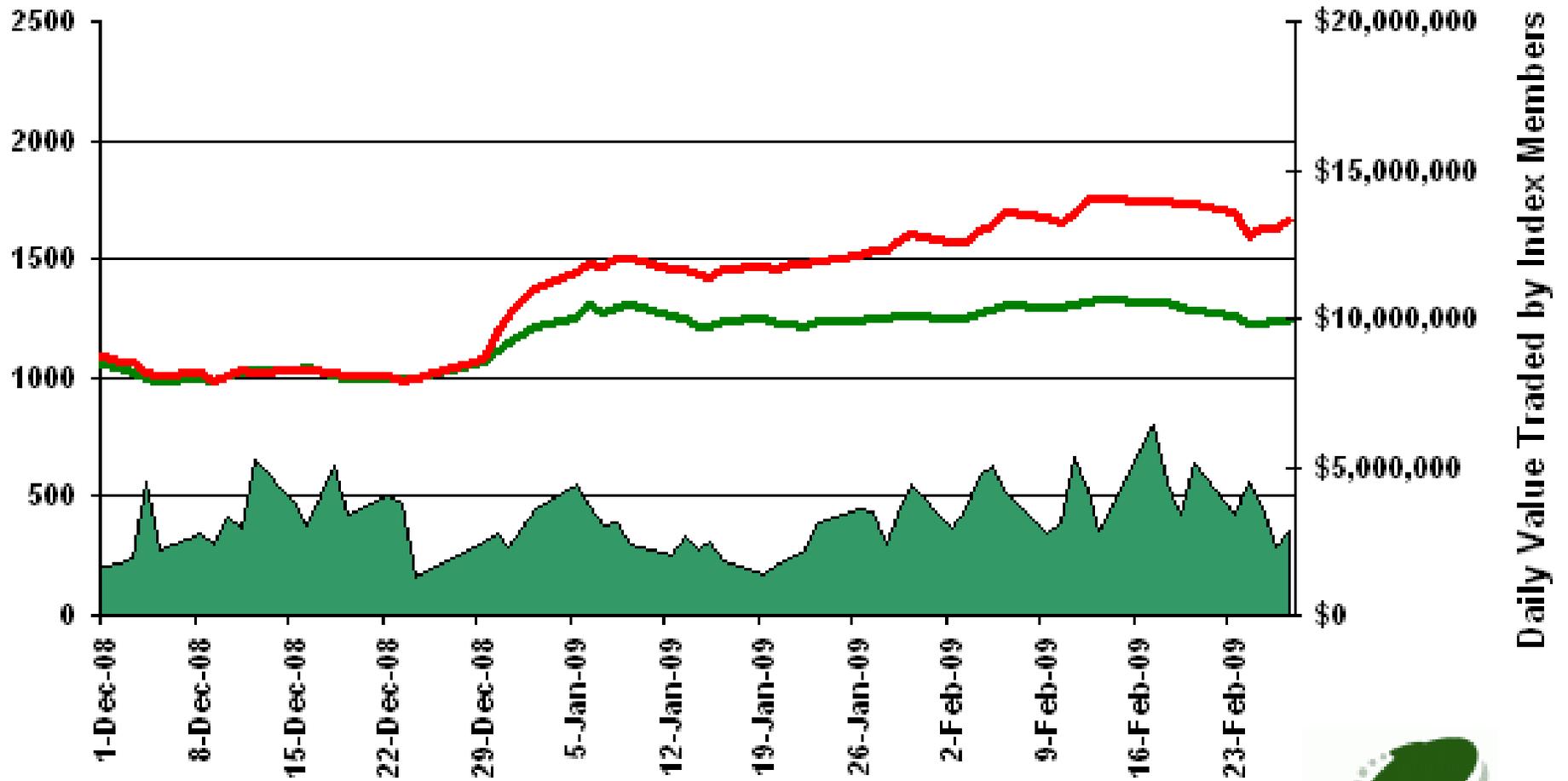
- Daily Value Traded by Index Members
- Bottom-Fish 2009 - 1000 on Dec 24, 2008
- TSXV Index normalized to 1000 on Dec 24, 2008



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Bottom-Fish 2009 Index

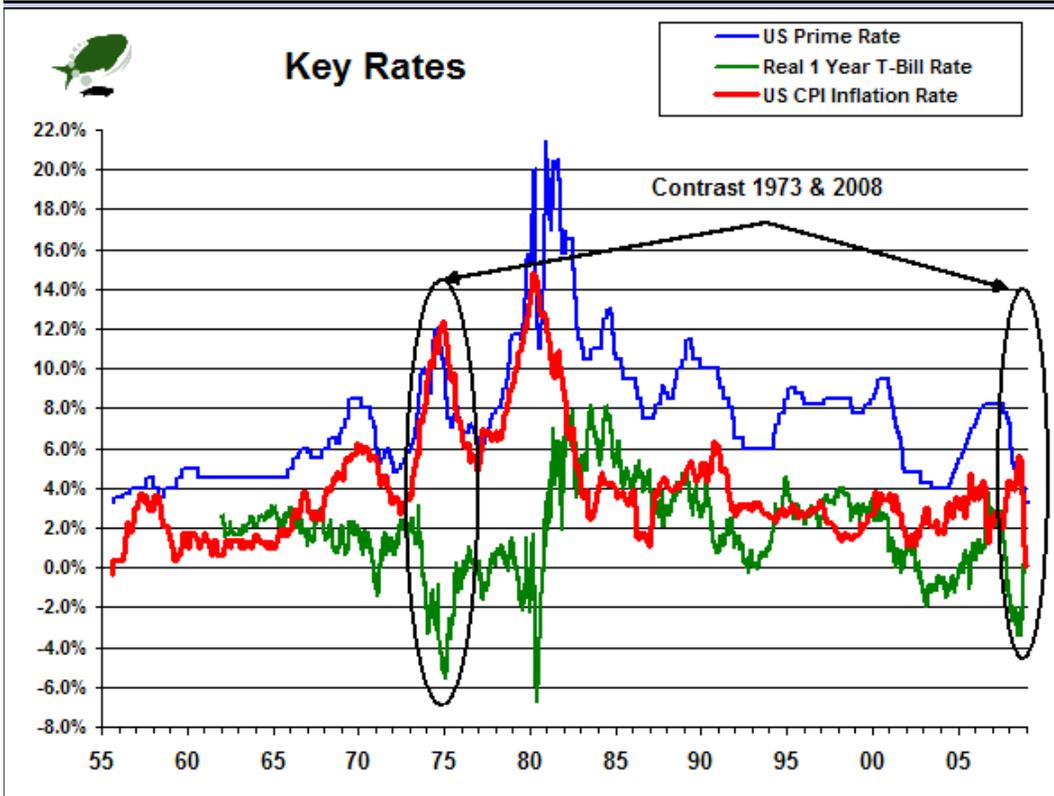
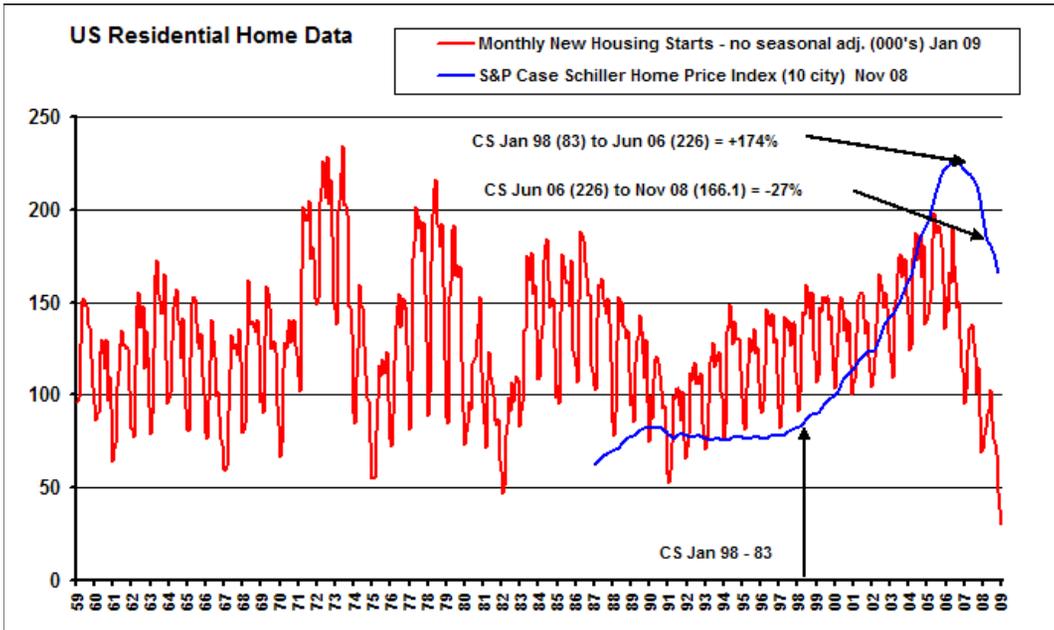
February 27, 2009



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-  TSXV Index normalized to 1000 on Dec 24, 2008



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Economic Cycle Downturn

The consequence of globalization and the death of credit fueled consumption



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?

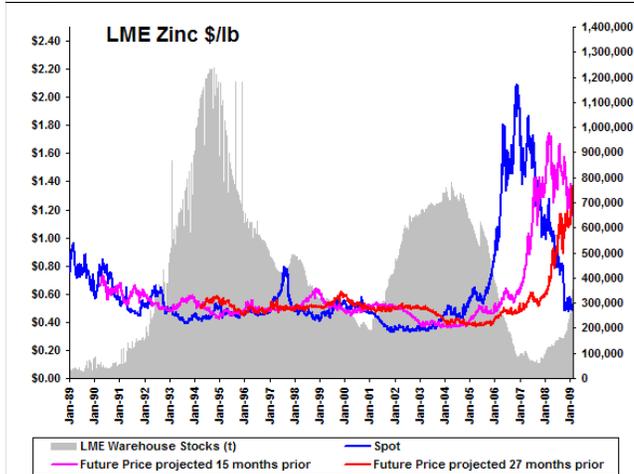
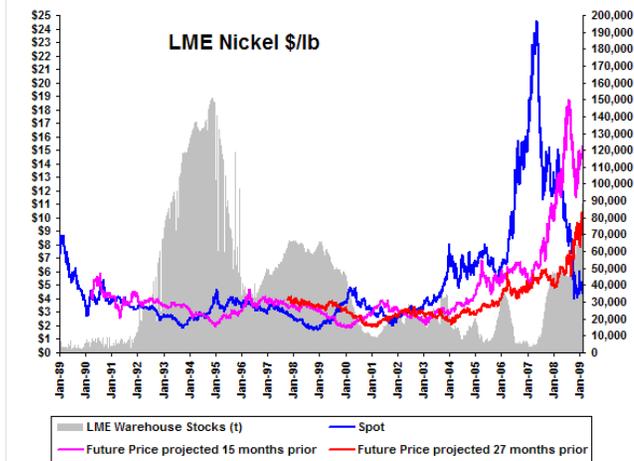
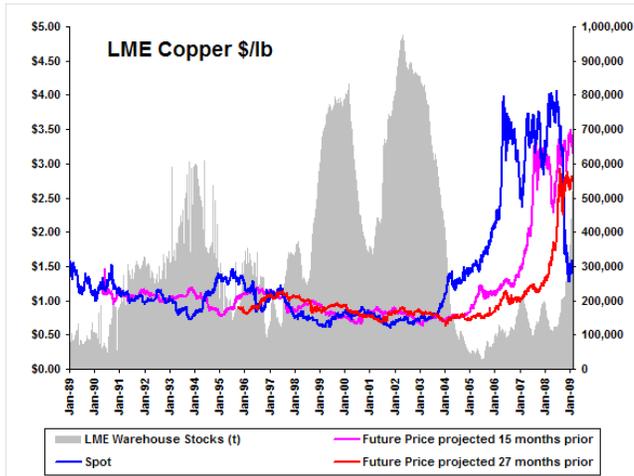


The Boomer Generation's Needs and the Diminishment of Capital Gains based Investing

- **Financial industry has for decades told investors that they should invest for the long run in expectation of a reward in the form of capital gains**
- **This worked fine while the demographic bulge called the boomer generation was creatively productive during the prime of its life cycle**
- **The consequence has been asset inflation in equities and real estate which has substituted for savings in the form of bank deposits, particularly in the United States**
- **Cash flow based return on equity rates plunged in the form of very low dividend yields for equities and high cost to annual rent ratios for residential real estate**
- **If cash flow based rates of return are not reasonable in risk adjusted terms, the ability to sell an asset at its market price depends on the existence of a larger audience with the means and will to buy – otherwise known as a Ponzi scheme, a greater fool spiral, or an asset bubble**
- **Globalization and deindustrialization of the OECD in favor of servicing the sale of consumer goods bought by credit and facilitating the creation of credit has left the younger generation with no viable means to maintain the capital gains cycle**
- **The boomer generation is approaching retirement and needs cash flow in the form of dividends or interest income or through liquidation of assets.**
- **As a result we are entering a long bear market for equities and real estate which will not bottom until dividend yields and cost to rent ratios are attractive**
- **Because of the expected longevity of the boomer generation it will be a long time before a capital gains based mentality comes back and drives an asset bubble.**

Commodity Cycle Downturn

Demand hits the wall, supply hurtles on.



BDIY:IND

Baltic Dry Index



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

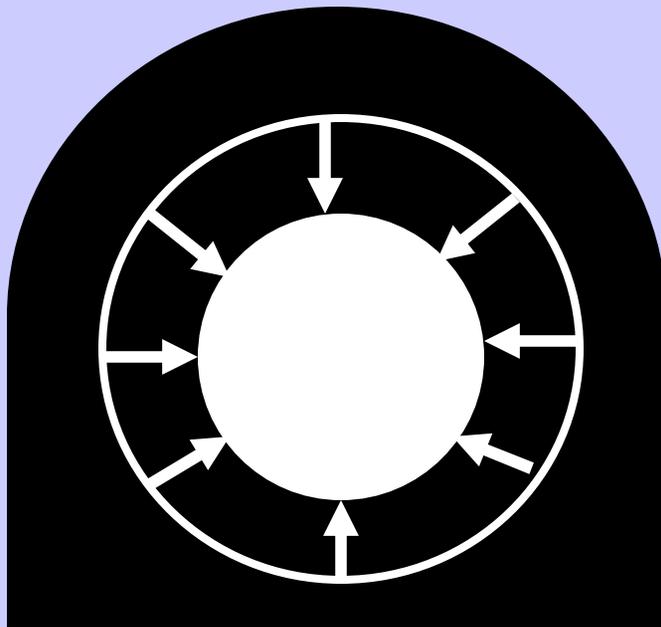
**Made in China and Packed with
Pride in America**



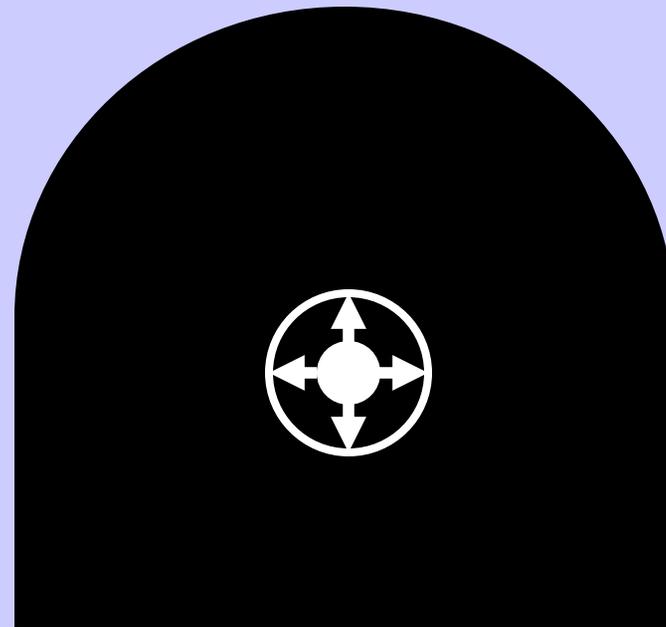
A Matter of Perspective

Is your standard of living shrinking or growing?

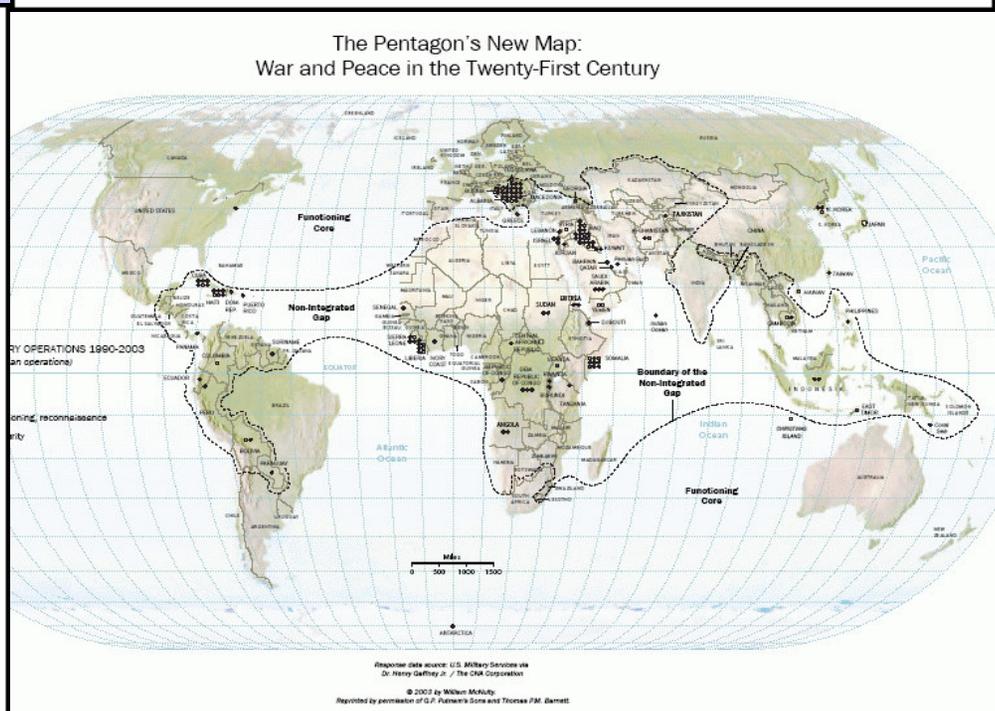
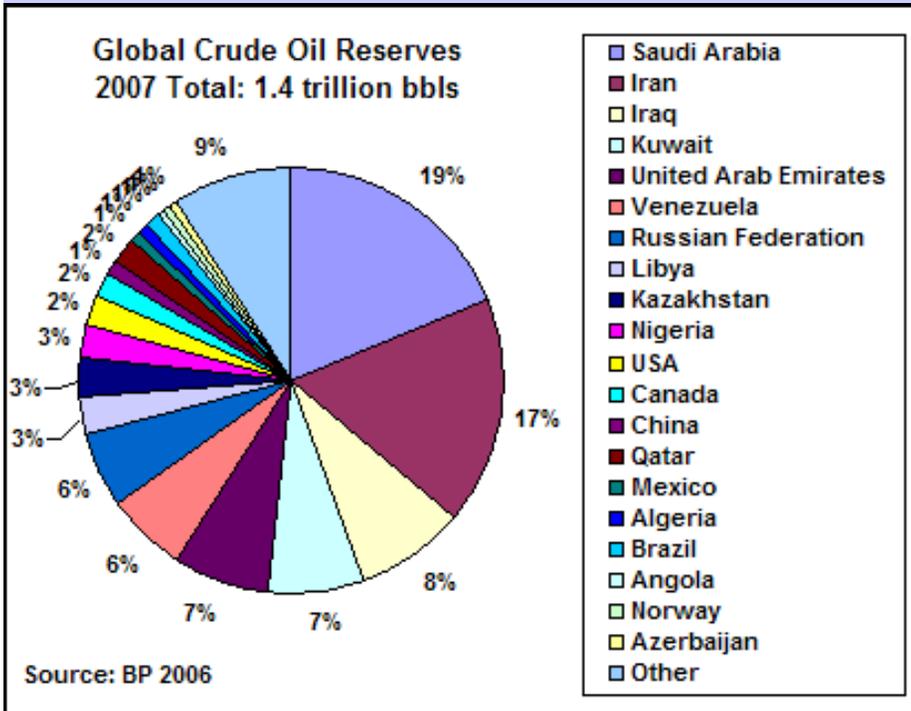
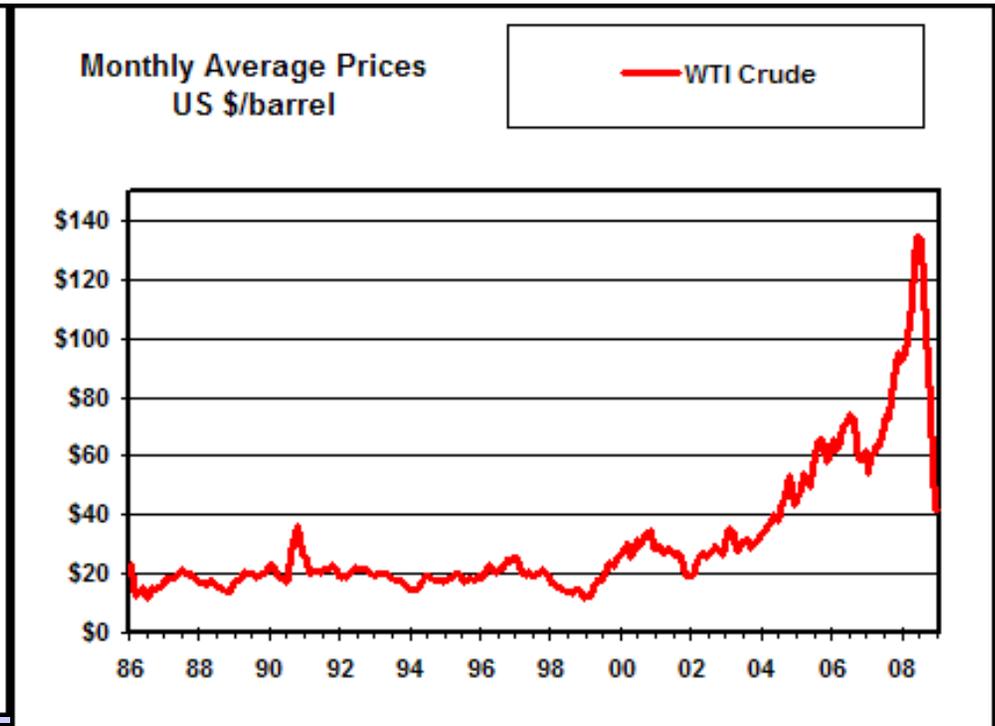
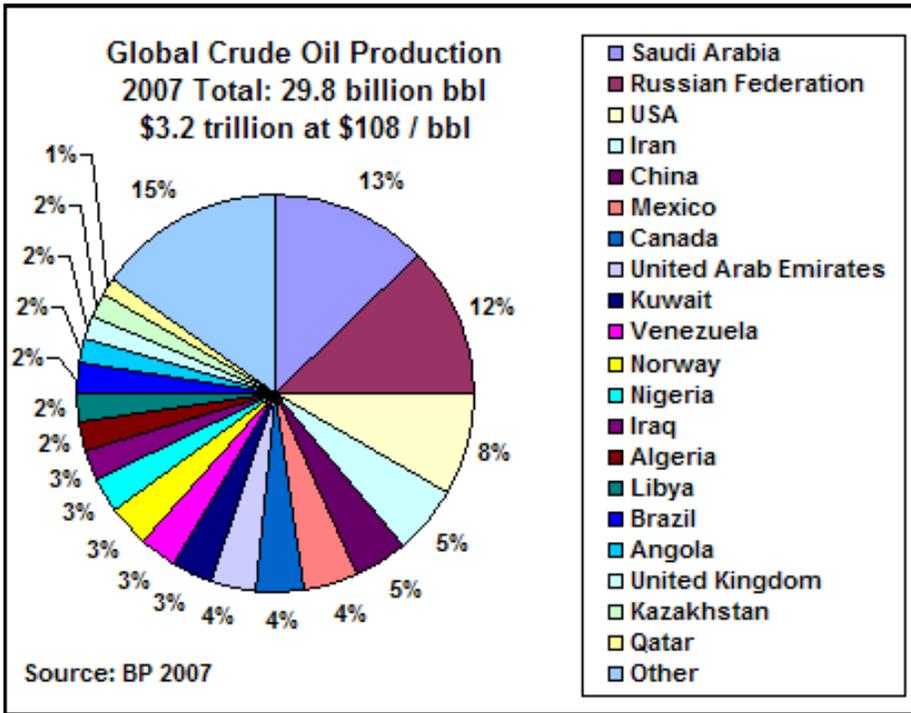
Is your footprint growing or shrinking?



1 Billion OECD

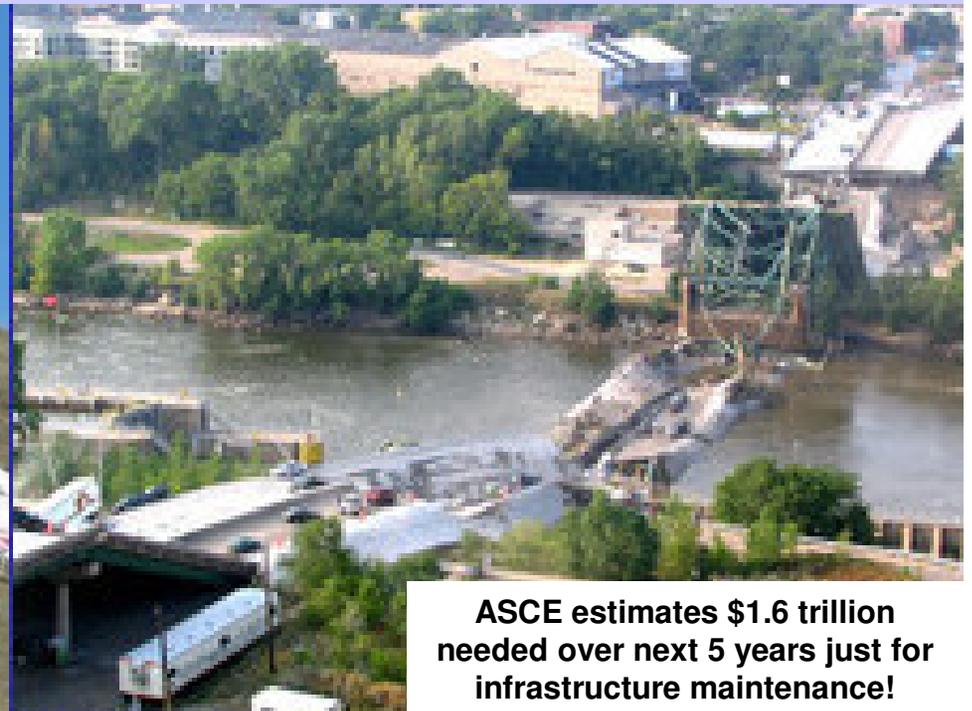


3 Billion BRIC



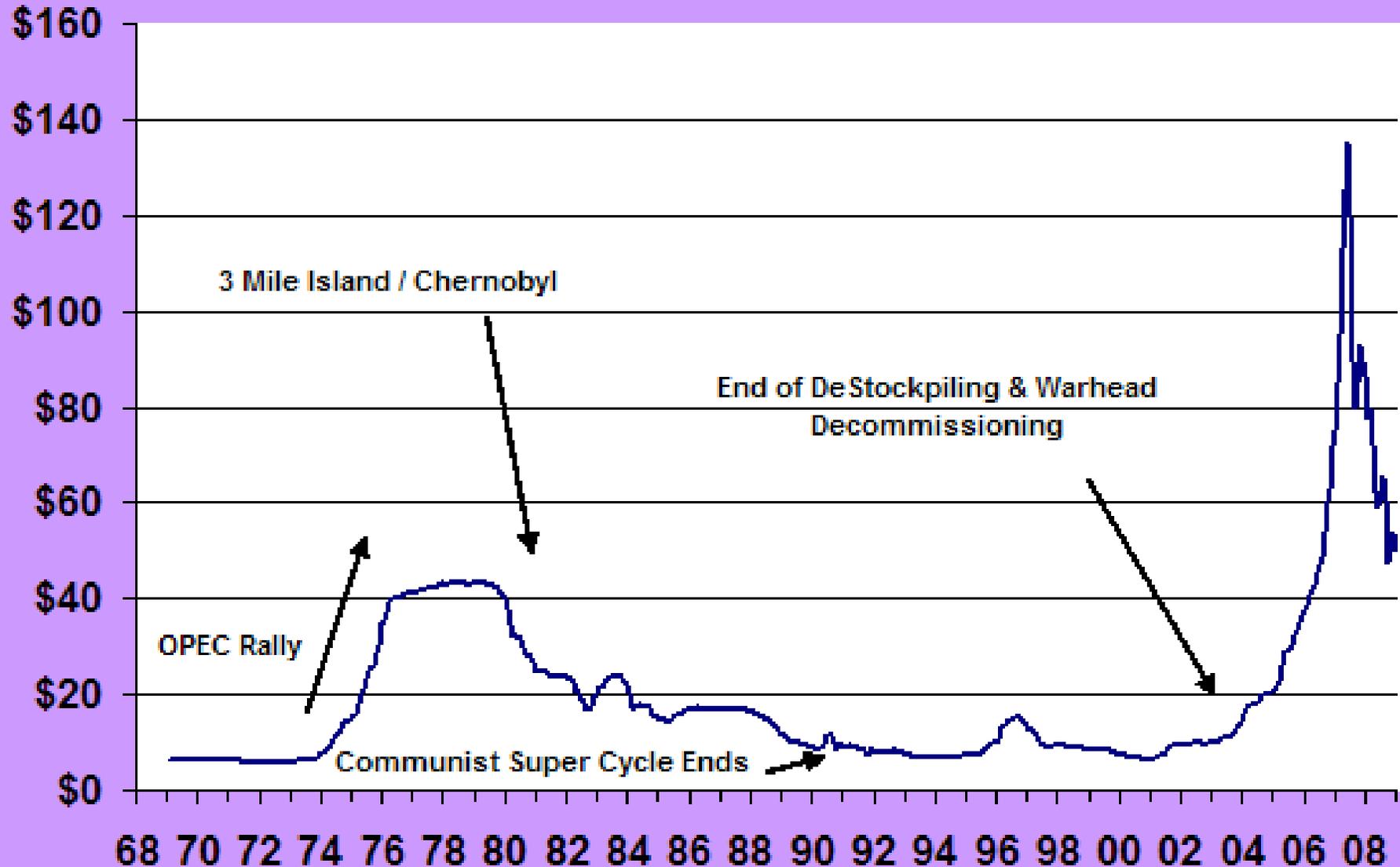
Transformative Infrastructure Renewal

- 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



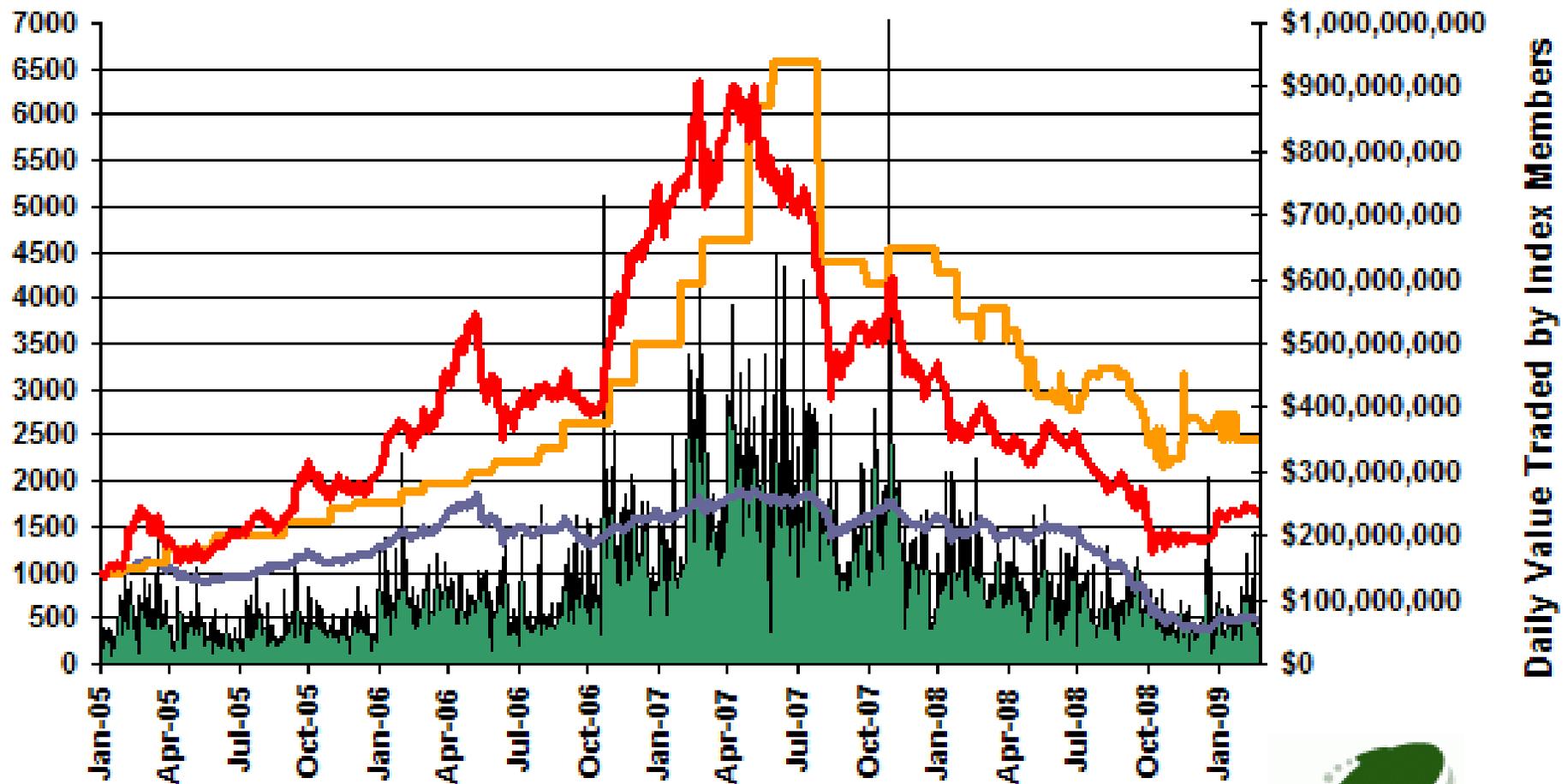
ASCE estimates \$1.6 trillion needed over next 5 years just for infrastructure maintenance!

Average Monthly Uranium US \$/lb U3O8



Uranium Pounds in the Ground Index

February 27, 2009



Daily Value Traded by Index Members

- Daily Value Traded by Index Members
- Uranium Pounds in the Ground Index - 1000 on Jan 4, 2005
- Uranium \$20.50/lb normalized to 1000 on Jan 4, 2005
- TSXV Index Normalized to 1000 on Jan 4, 2005



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2 Types of Resource Sector Story Speculation Cycles

Commodity Speculation

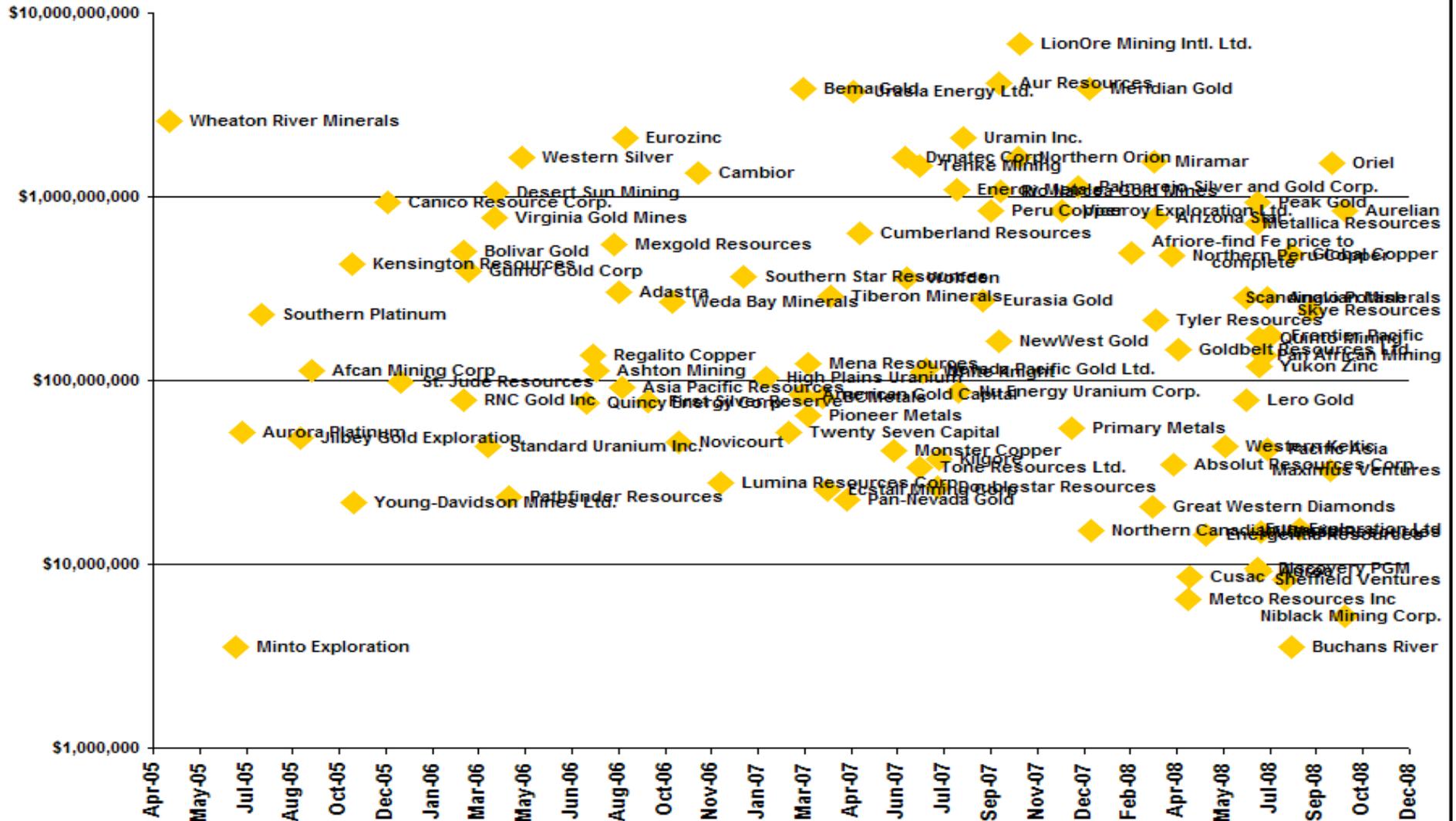
- Resource Estimates - Ounces & Pounds in the Ground
- Focused on development portion of exploration cycle: infill drilling, metallurgy, prefeasibility, feasibility/permitting, construction
- Vulnerable to geopolitical risk and commodity price volatility
- Valuation based on DCF Method & Peer Group Comparison
- 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?)

Company Life Cycles – the preferred end

Value of Takeover Bids - \$61 billion - 100 Juniors (2004-2008)

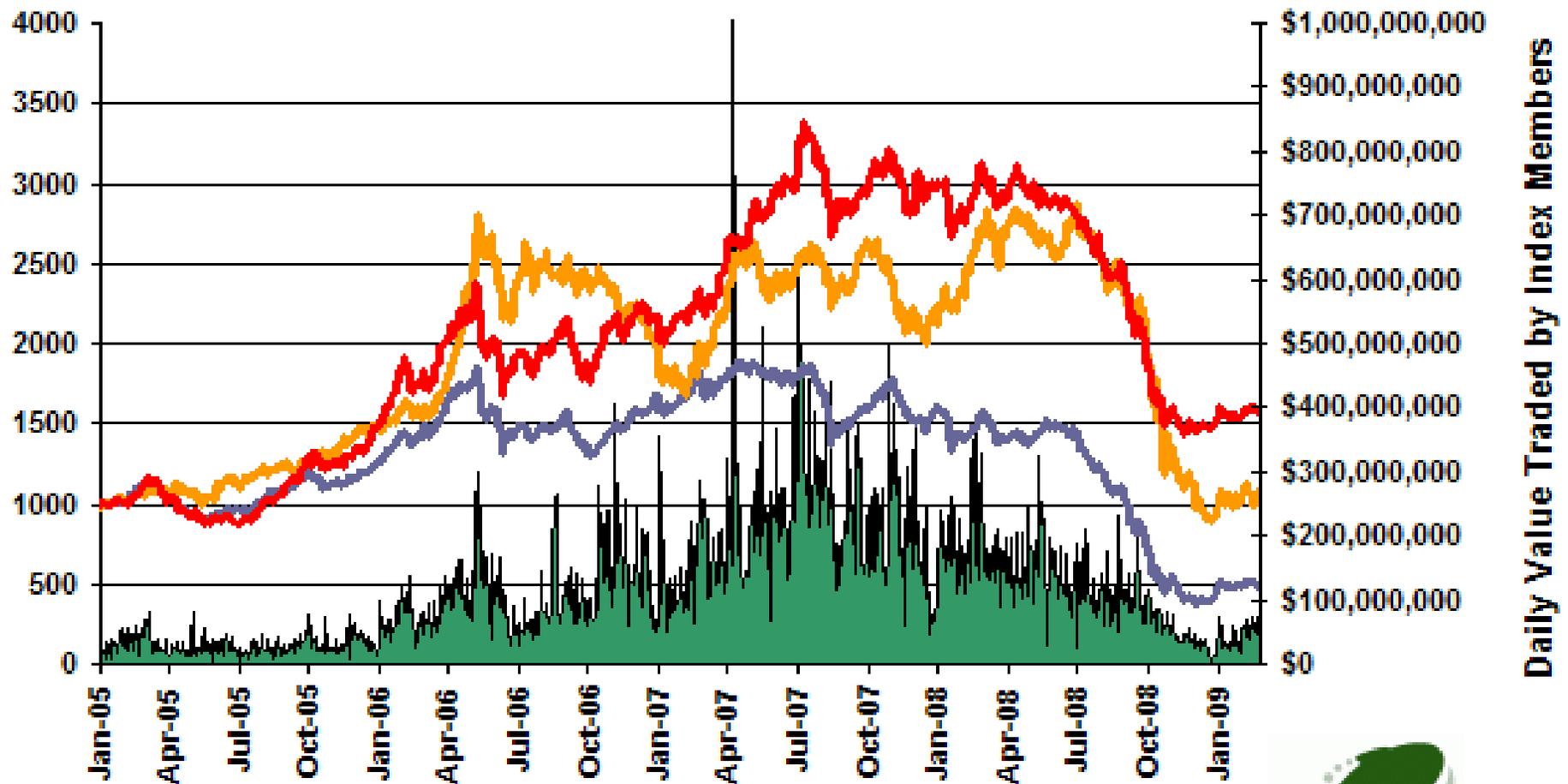


The 2003-2008 Market Cycle
Racing Ounces & Pounds in the Ground toward Production –
closely linked to the Commodity Cycle

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

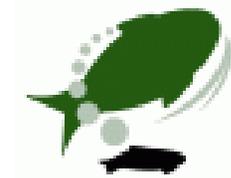
Intermediate Copper Index

February 27, 2009



Daily Value Traded by Index Members

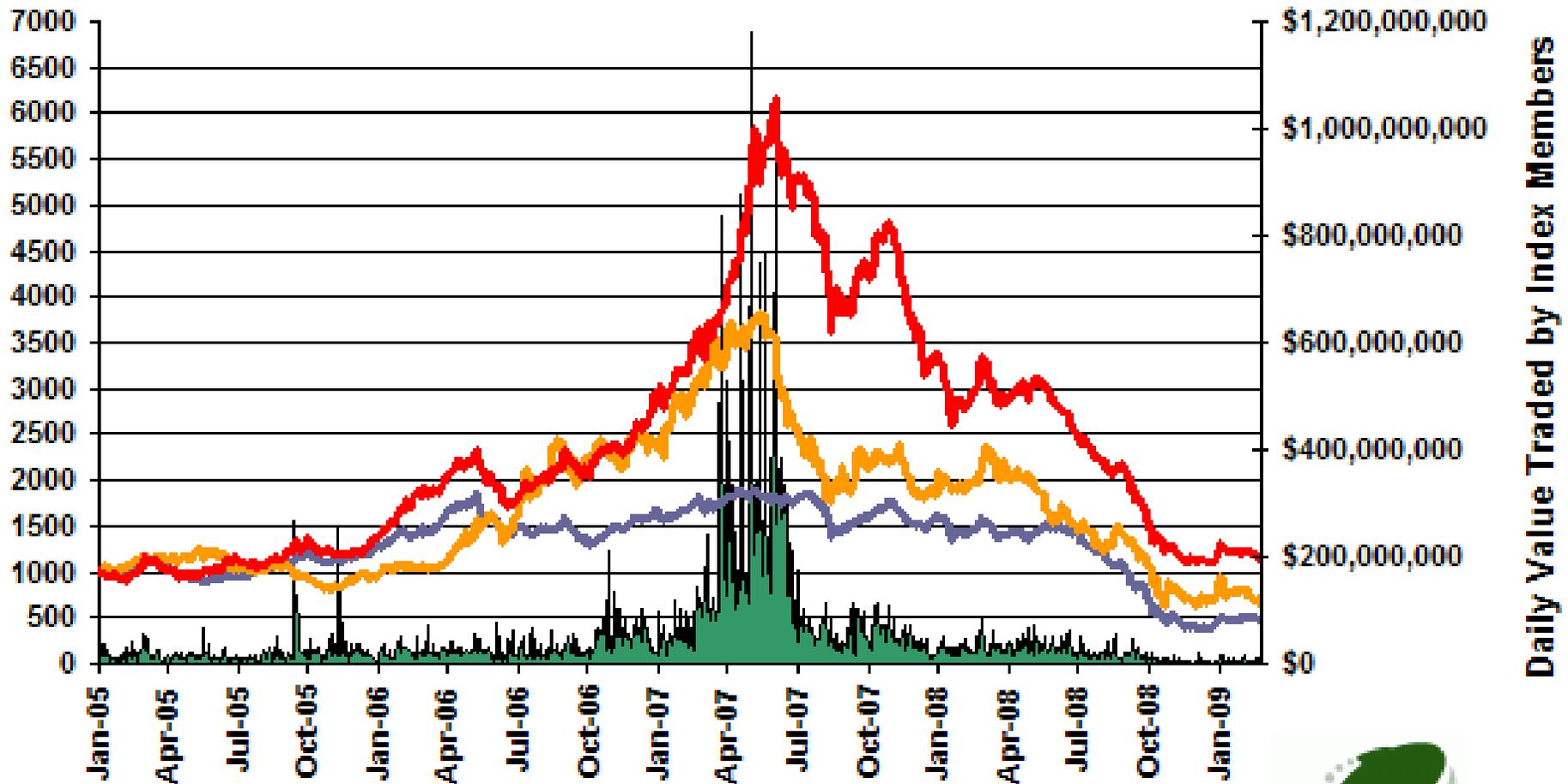
- Daily Value Traded by Index Members
- Intermediate Copper Index - 1000 on January 4, 2005
- Copper \$1.42/lb normalized to 1000 on Jan 4, 2005
- TSXV Index Normalized to 1000 on Jan 4, 2005



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Junior Nickel Index

February 27, 2009



Daily Value Traded by Index Members

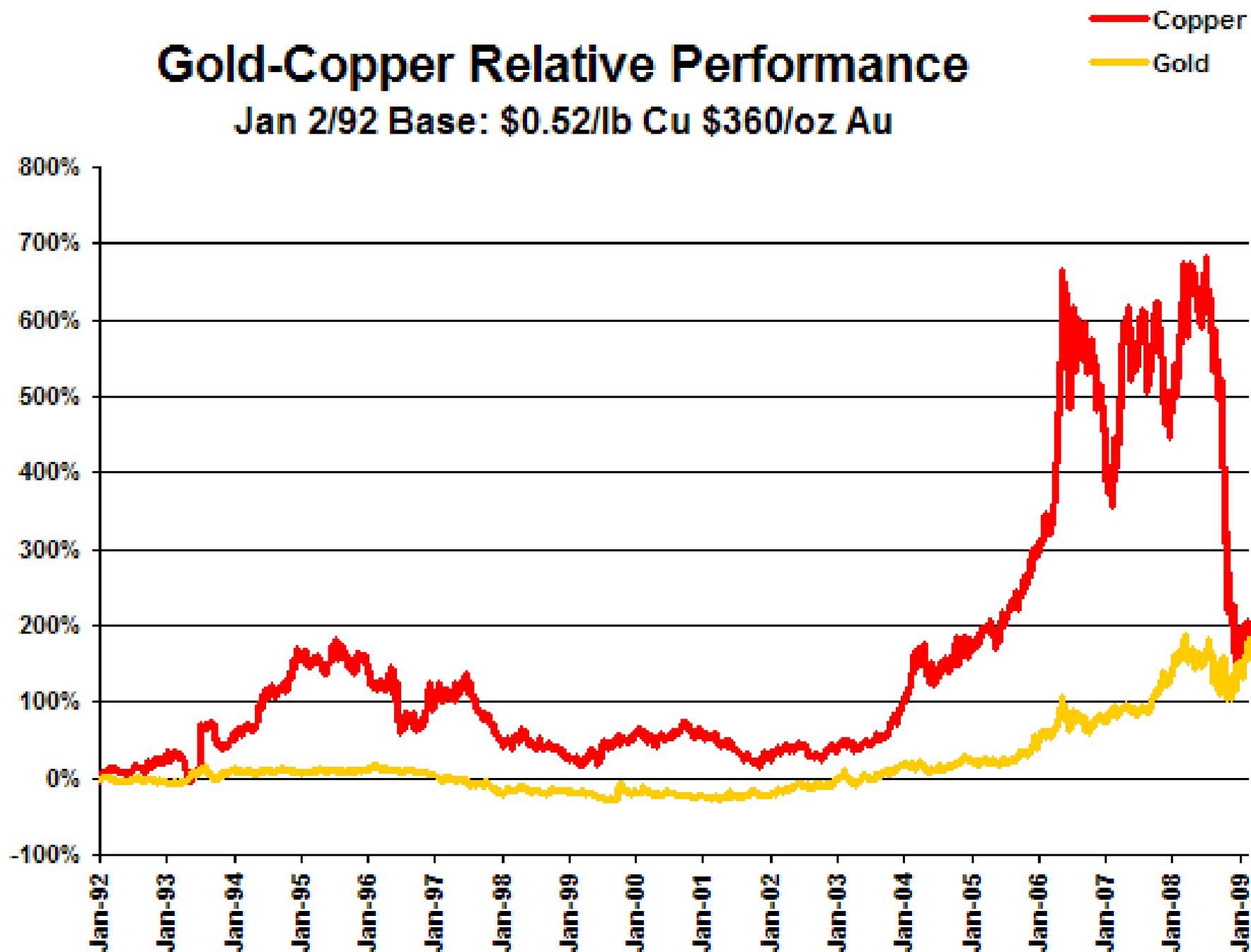
- Daily Value Traded by Index Members
- Junior Nickel Index - 1000 on January 4, 2005
- Nickel \$6.40/lb normalized to 1000 on Jan 4, 2005
- TSXV Index Normalized to 1000 on Jan 4, 2005



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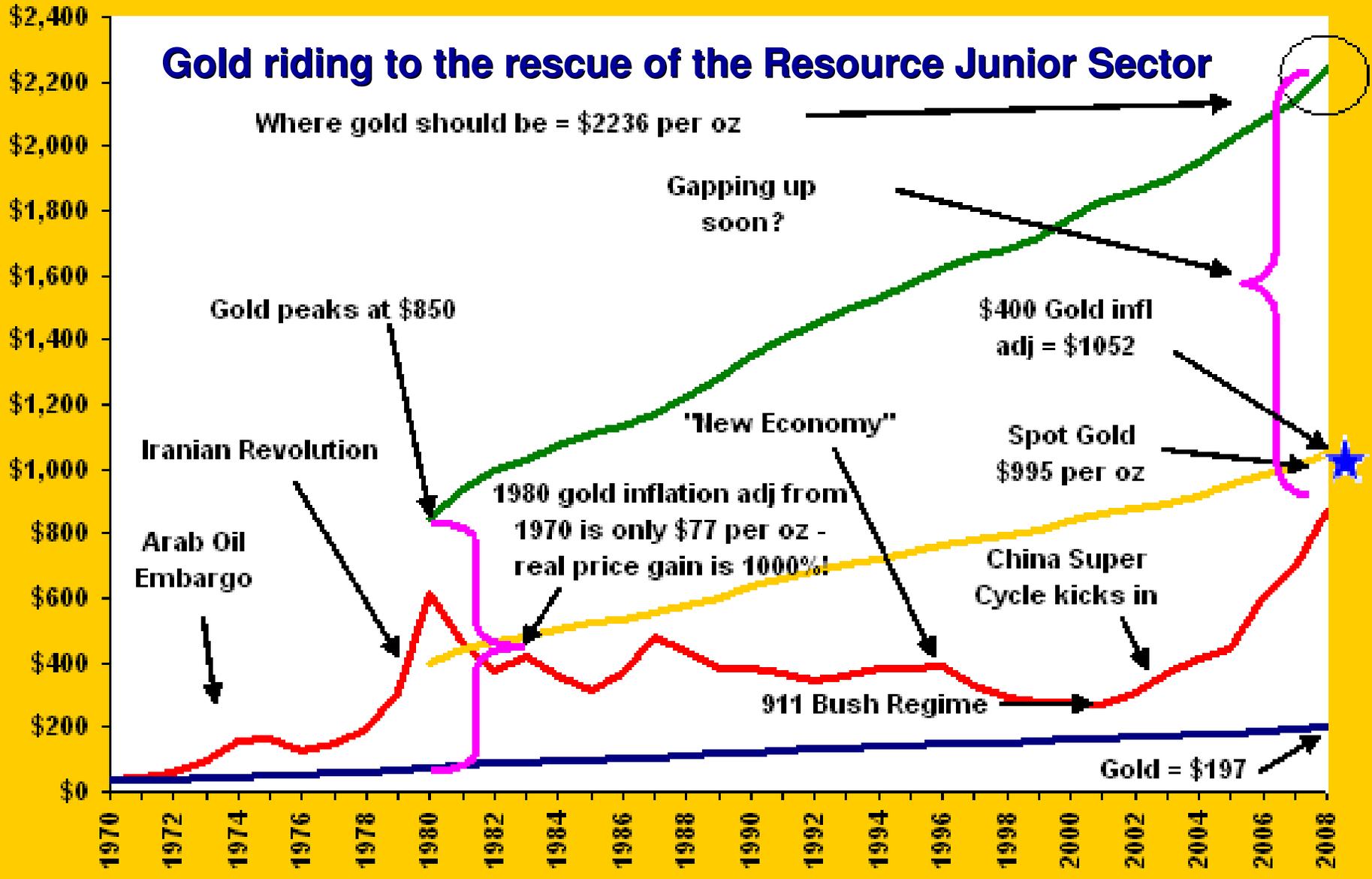
Gold-Copper Relative Performance

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



Gold in Perspective

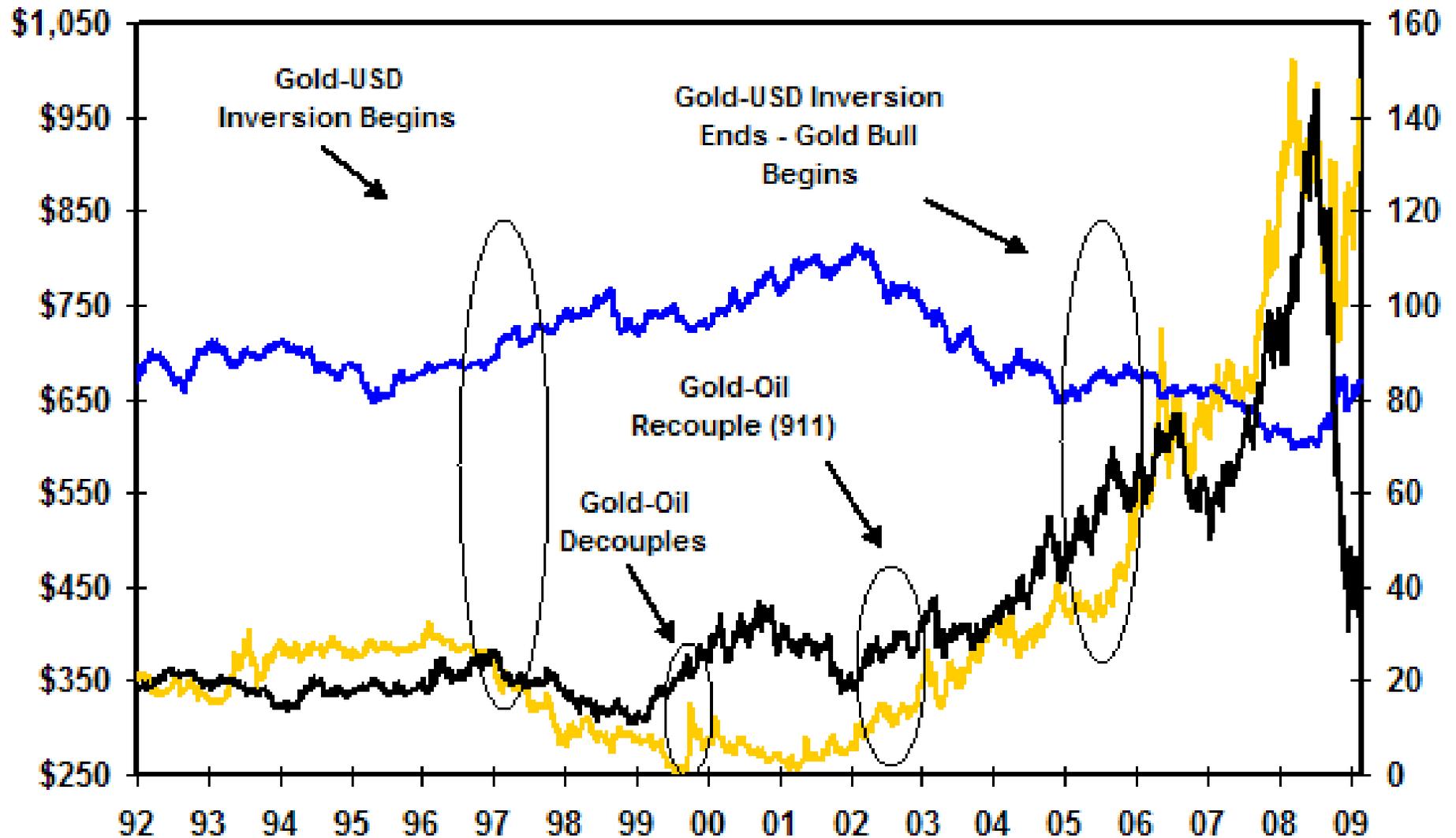
- Actual Average Annual Gold Price
- 1970 Base \$36 per oz inflation adjusted
- 1980 Base \$850 per oz inflation adjusted
- 1980 Base \$400 per oz inflation adjusted

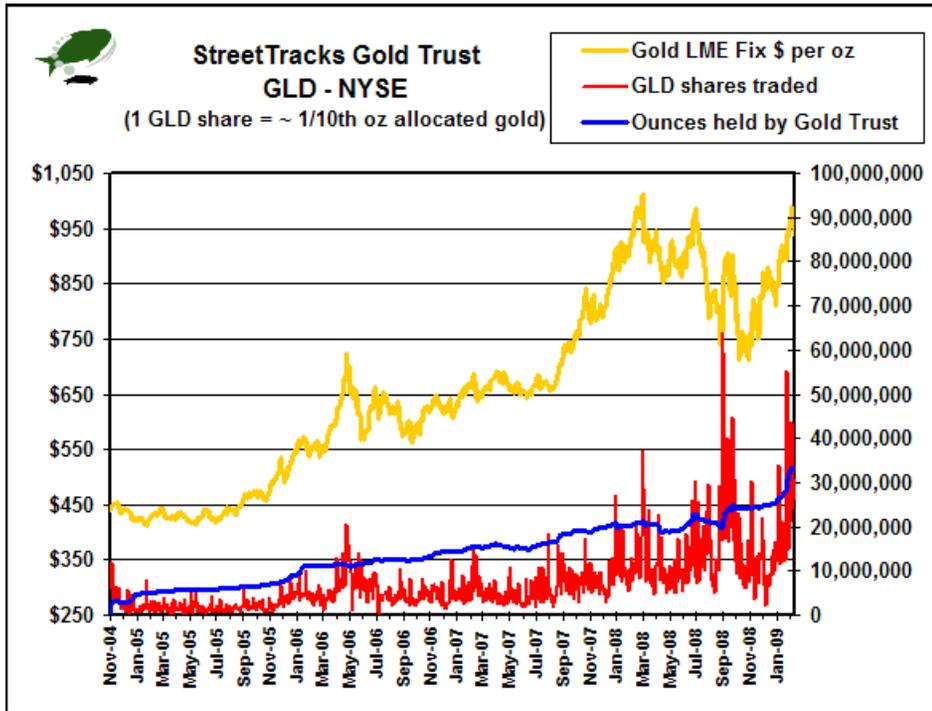




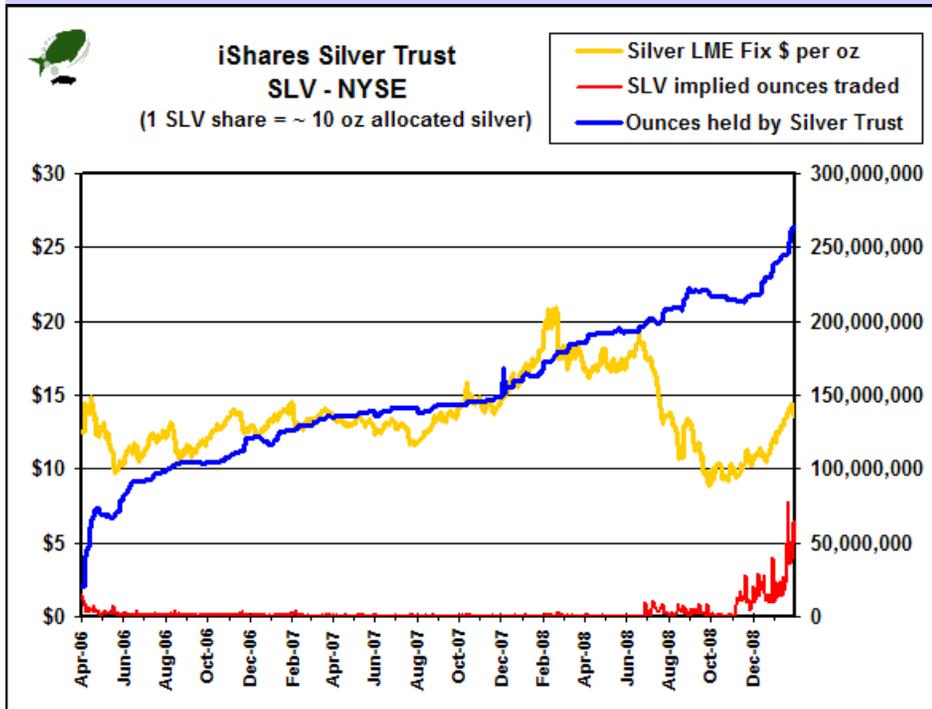
Gold vs US\$ Index vs Oil

- Gold
- US\$ Major Currency Index
- WTI Crude Oil US\$





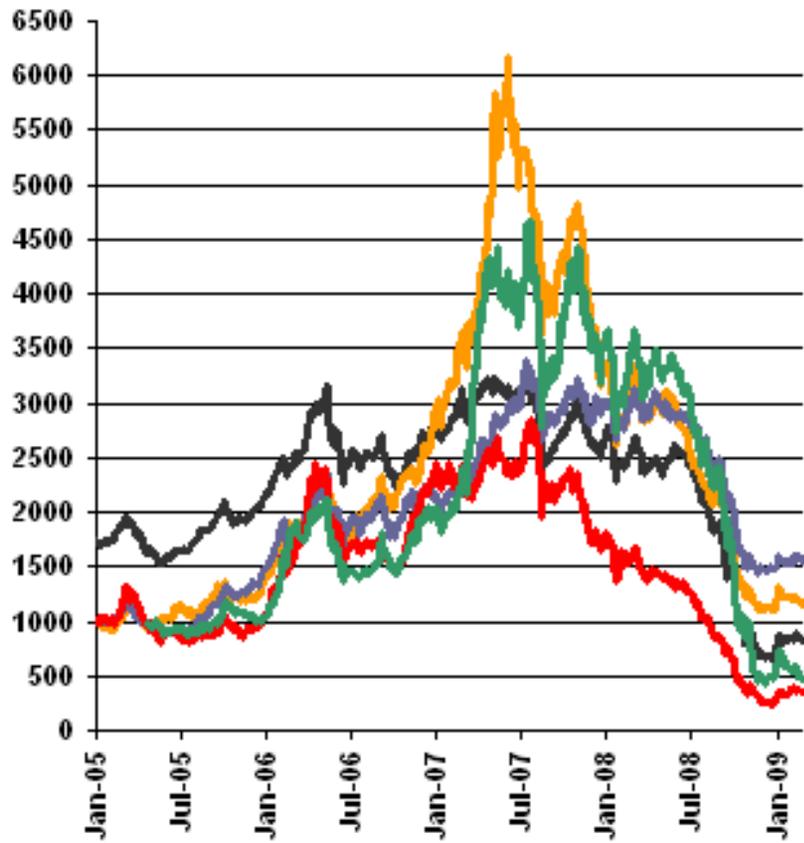
ETF Gold – expanding the universe of gold investors – 1 oz per 24 traded ends up in warehouse.



ETF Silver – Nelson Bunker Hunt distributed - 1 oz per 4 traded ends up in warehouse.

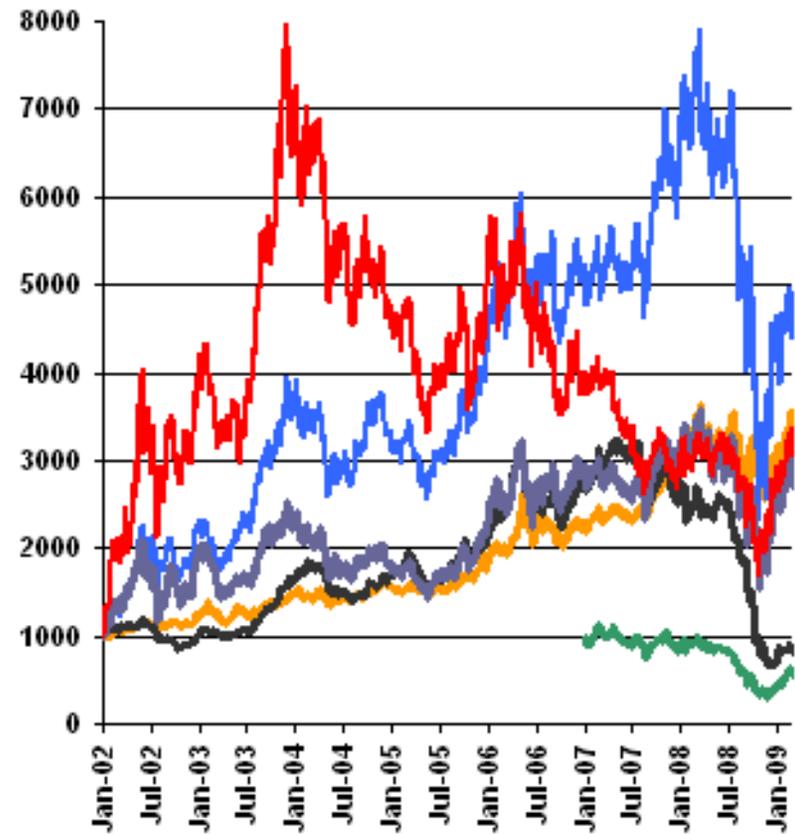
Passing the Baton

KBFO Base Metal Indices
February 27, 2009



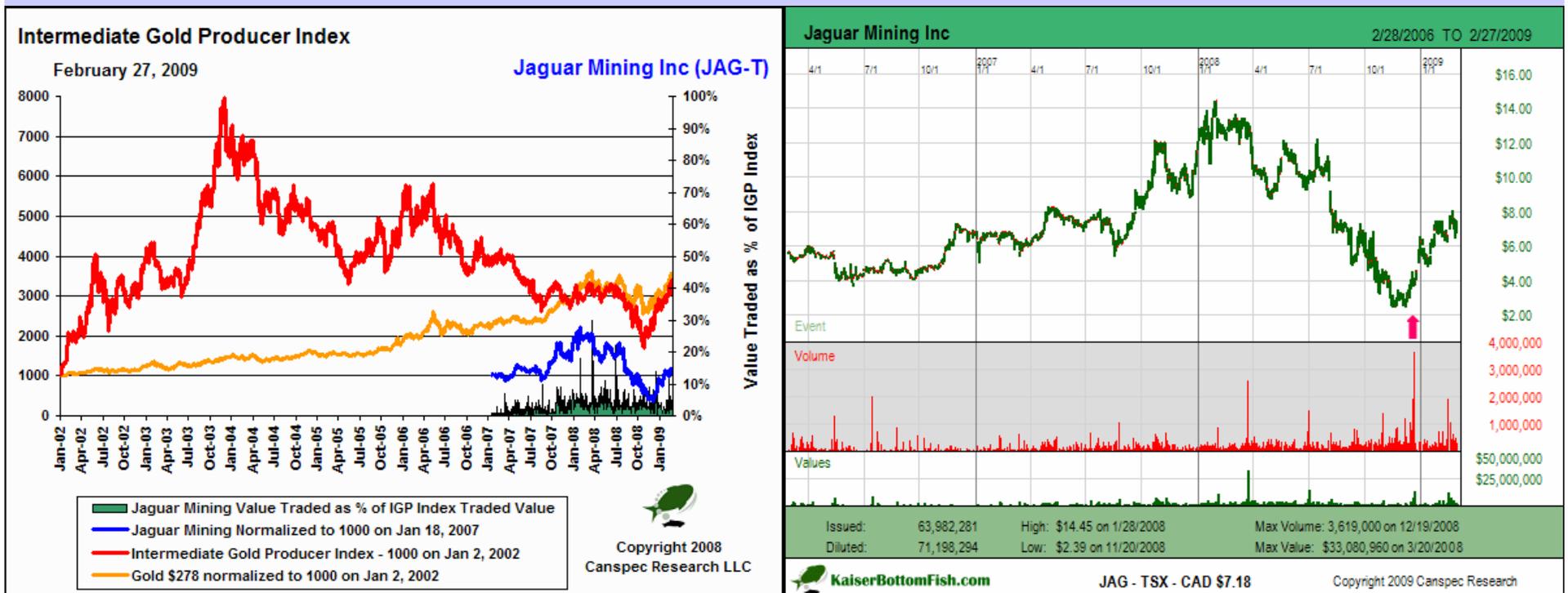
- TSXV Index 1043 normalized to 1000 on Jan 2, 2002
- KBFO Junior Nickel Index
- KBFO Intermediate Copper Index
- KBFO Junior Zinc Index
- KBFO Junior Molybdenum Index

KBFO Gold Producer Indices
February 27, 2009



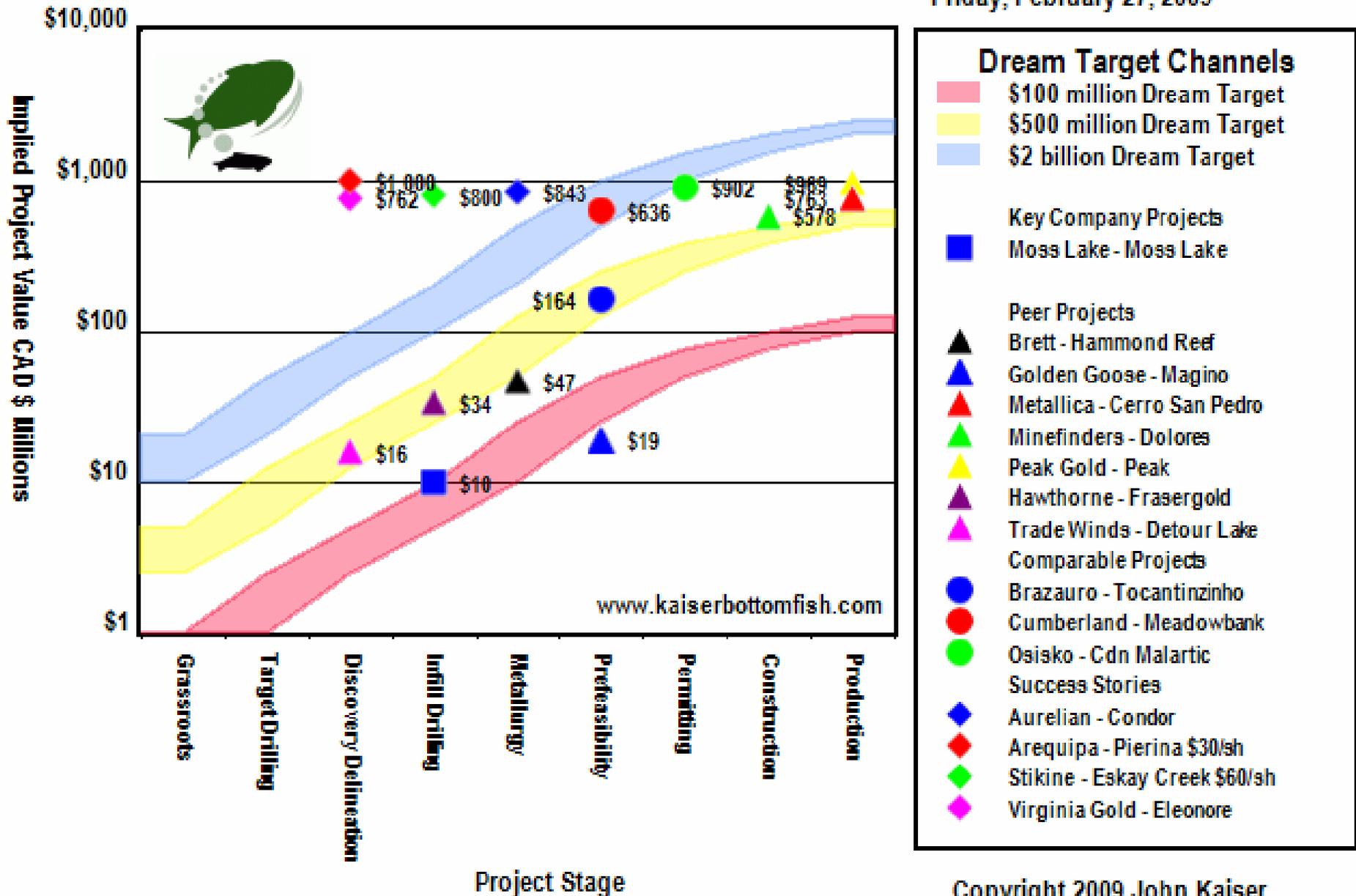
- Gold \$278/oz normalized to 1000 on Jan 2, 2002
- TSXV Index 1043 normalized to 1000 on Jan 2, 2002
- HUI Gold Bugs Index normalized to 1000 on Jan 2, 2002
- KBFO Major Gold Producer Index
- KBFO Intermediate Gold Producer Index
- KBFO Junior Gold Producer Index

As the world gets comfortable with a new gold trading range of \$1,200-\$1,800 per oz in a context of stable exchange rates and continuing asset value deflation during the next couple years, capital will pour into gold producers acquiring and developing new gold mines. At the same time the possibility of a more substantial upward move by gold will translate into unusually high PE ratios for gold producers, just as happened during the early eighties. The result will be a gold stock mania that will transition back to the general raw material sector as the global economy gets back on track, passing the baton back to the base metal companies. Intermediate gold producers like Jaguar will trade 5-10 times higher than the current price.



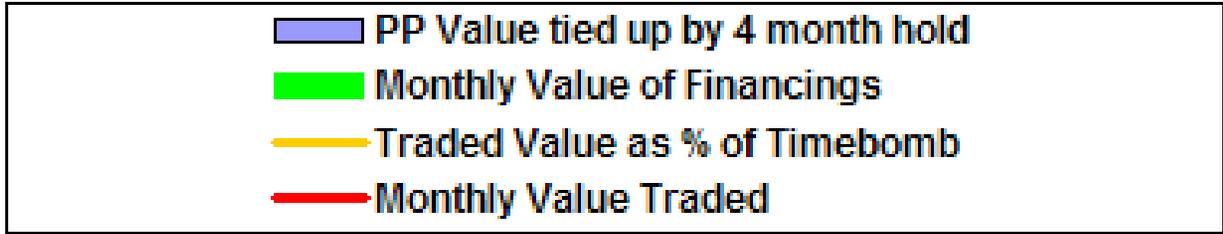
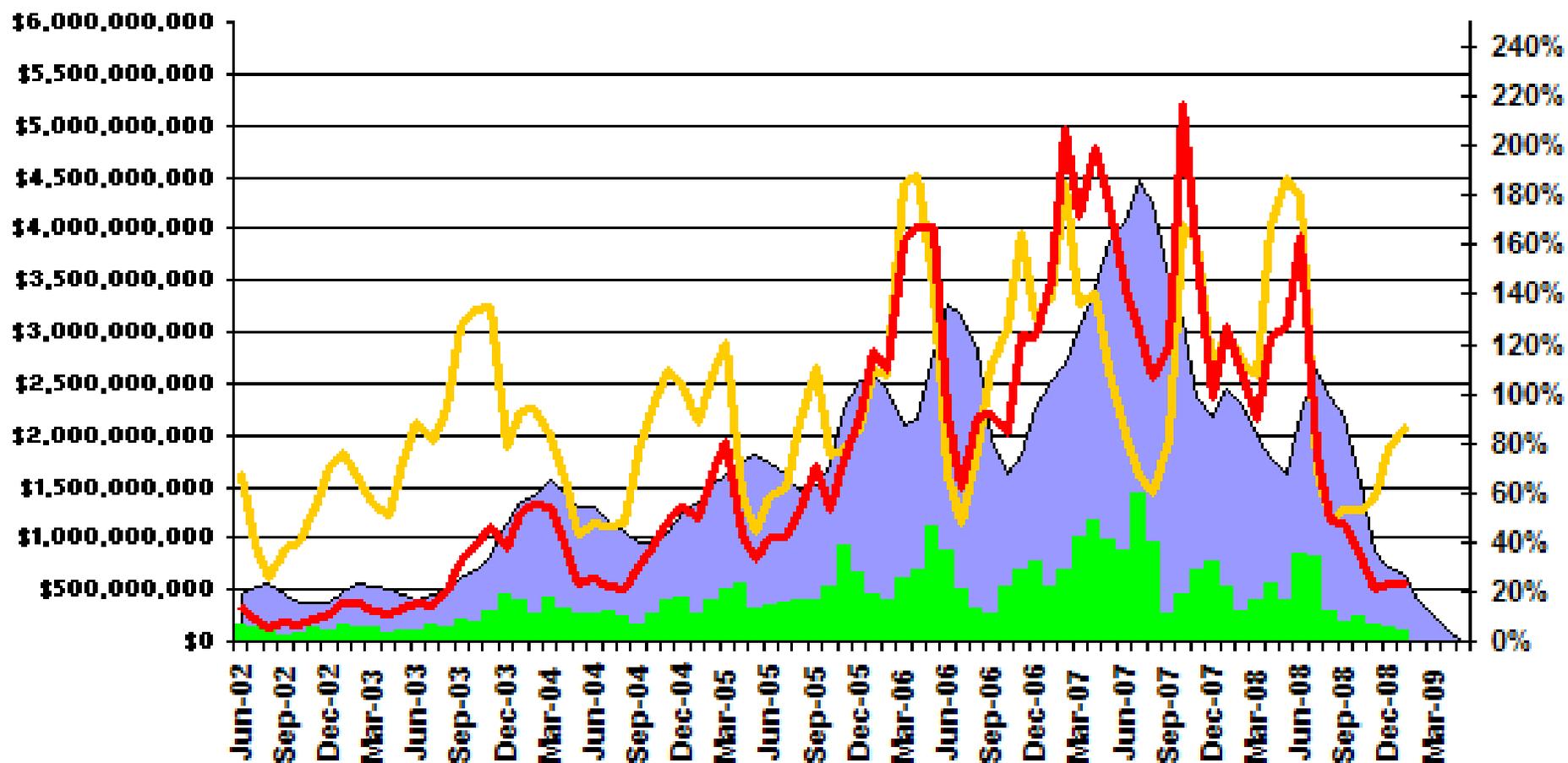
Moss Lake Project Valuations

Friday, February 27, 2009



TSXV Private Placement Timebomb

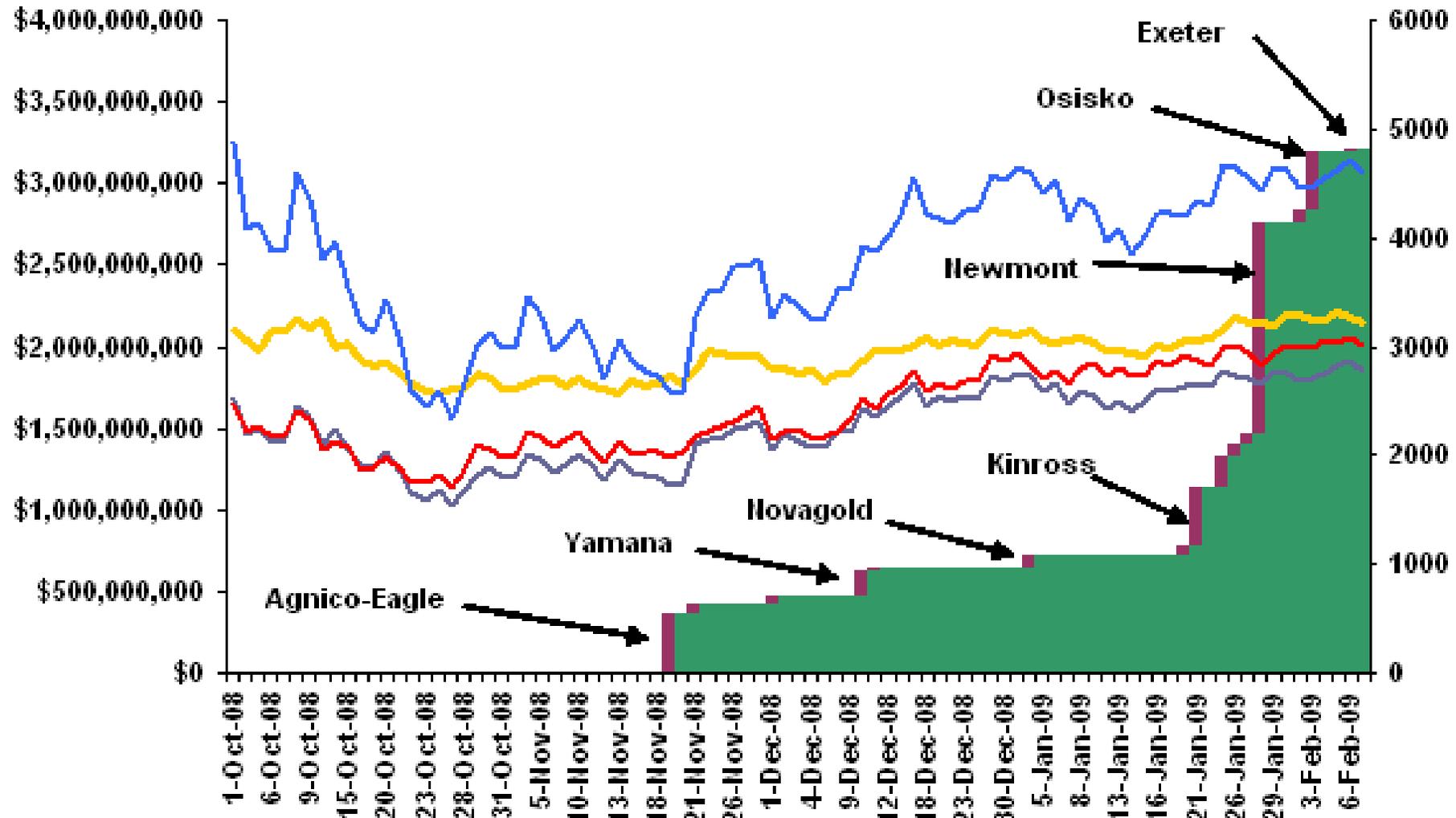
as of January 2009



Gold Company Equity Financing Activity

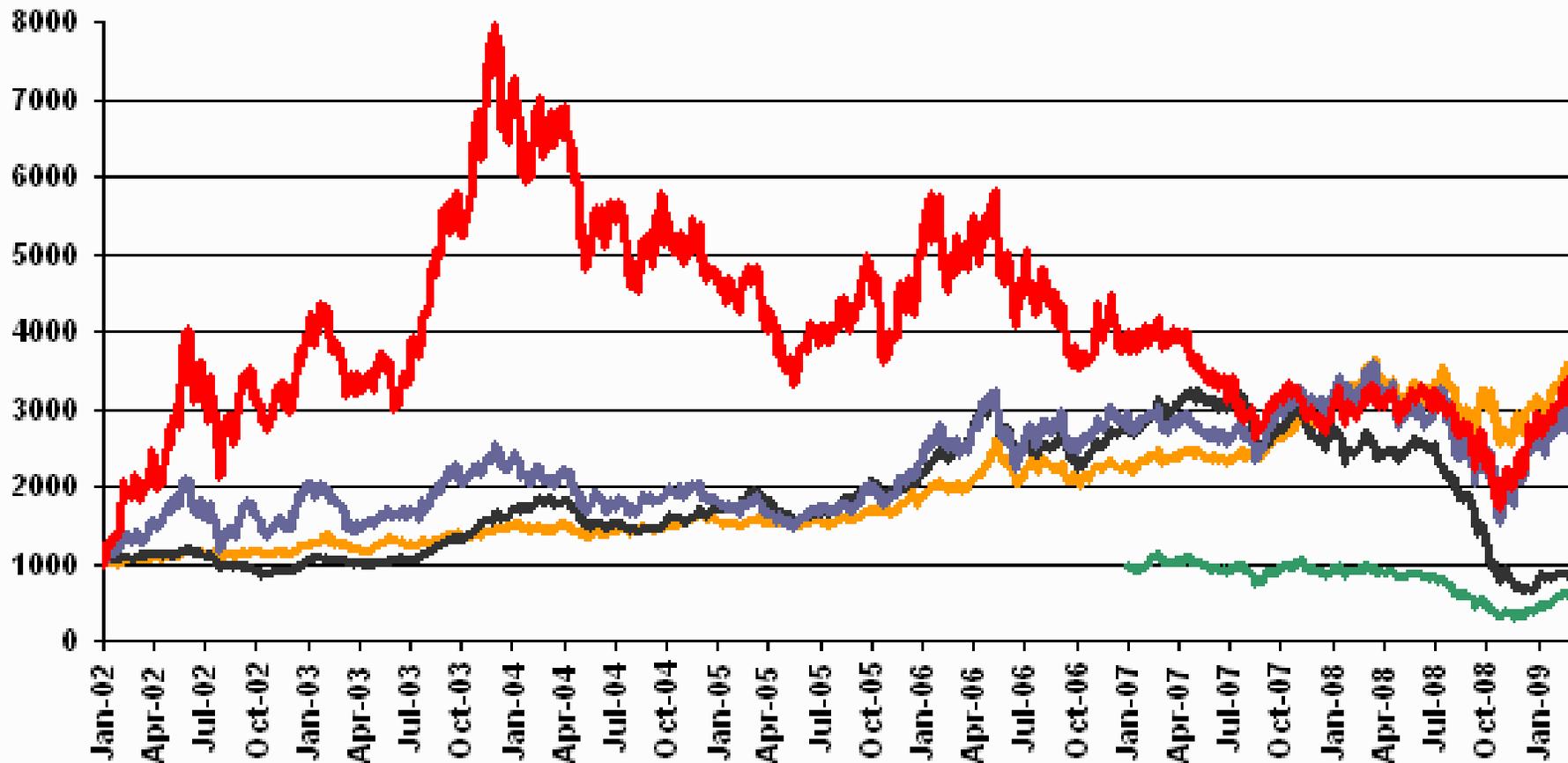
\$3.6 billion raised since Oct 1, 2008
as of February 9, 2009

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



KBFO Gold Producer Indices

February 27, 2009



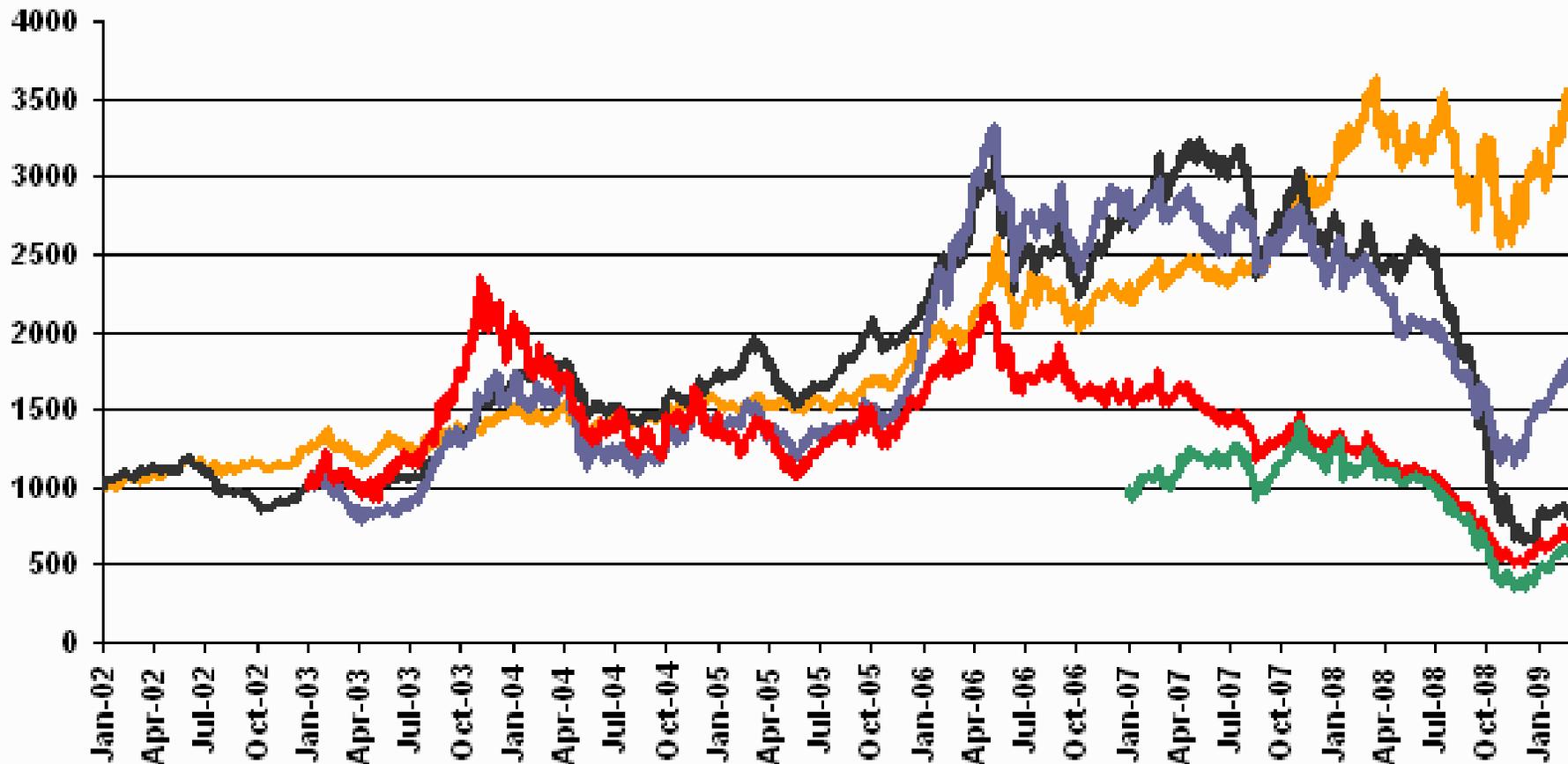
- Gold \$278/oz normalized to 1000 on Jan 2, 2002
- TSXV Index 1043 normalized to 1000 on Jan 2, 2002
- KBFO Major Gold Producer Index
- KBFO Intermediate Gold Producer Index
- KBFO Junior Gold Producer Index



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KBFO Gold Non-Producer Indices

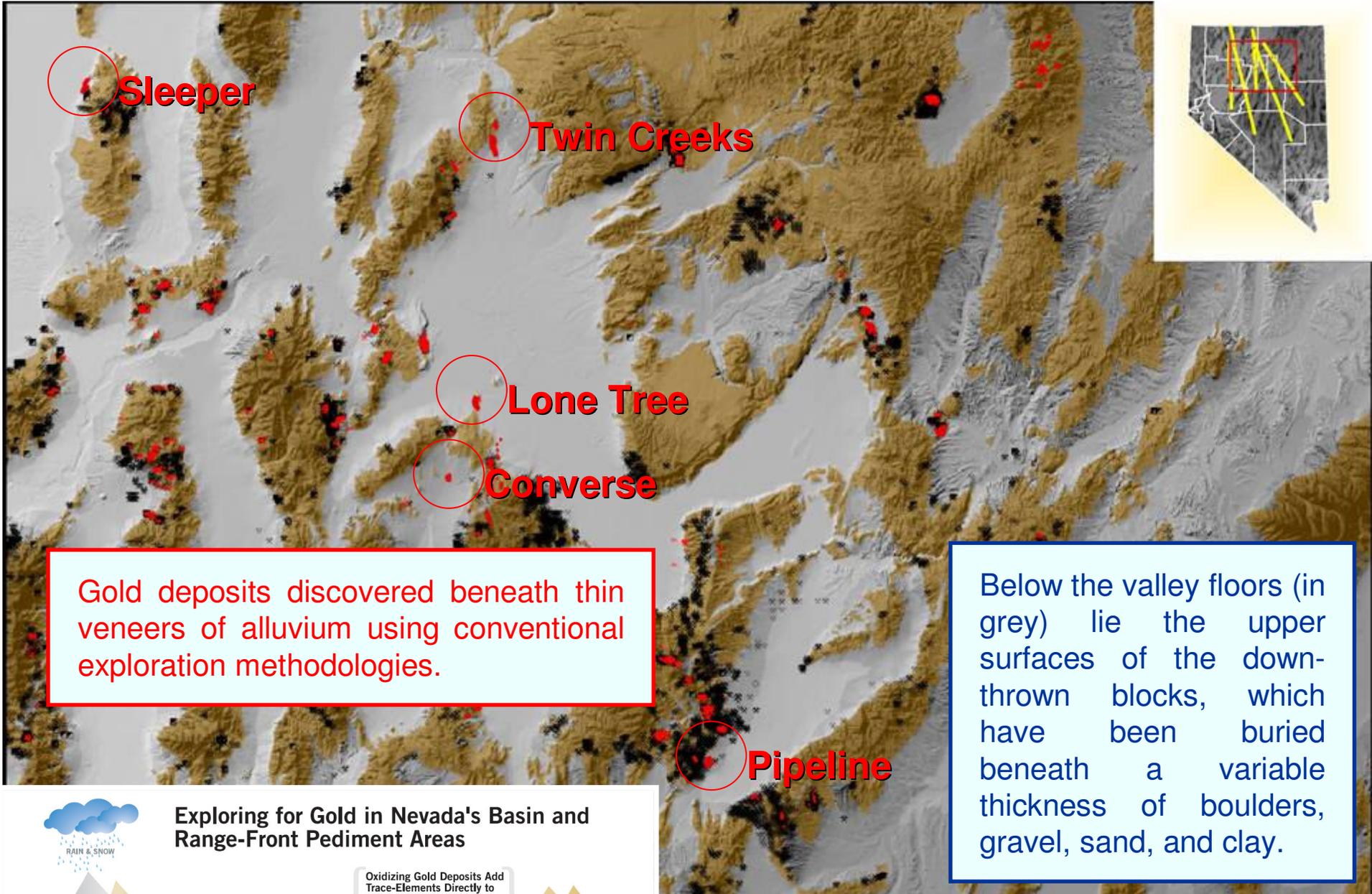
February 27, 2009



- 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

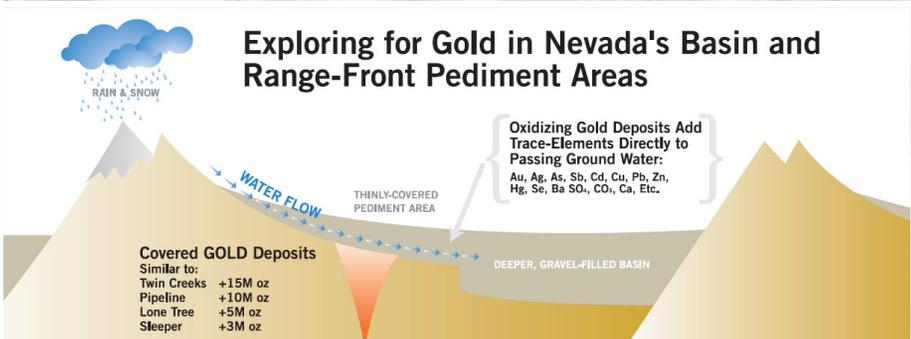


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Gold deposits discovered beneath thin veneers of alluvium using conventional exploration methodologies.

Below the valley floors (in grey) lie the upper surfaces of the down-thrown blocks, which have been buried beneath a variable thickness of boulders, gravel, sand, and clay.



Nevada Exploration Inc

2/28/2006 TO 2/27/2009



Issued: 59,029,104

High: \$1.38 on 11/12/2007

Max Volume: 5,100,800 on 10/10/2008

Diluted: 60,934,104

Low: \$0.03 on 10/28/2008

Max Value: \$648,108 on 6/14/2007

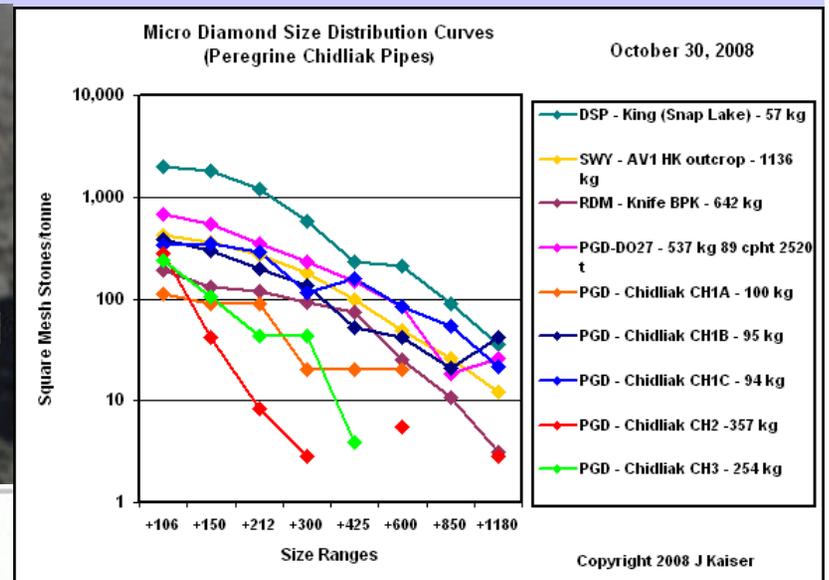
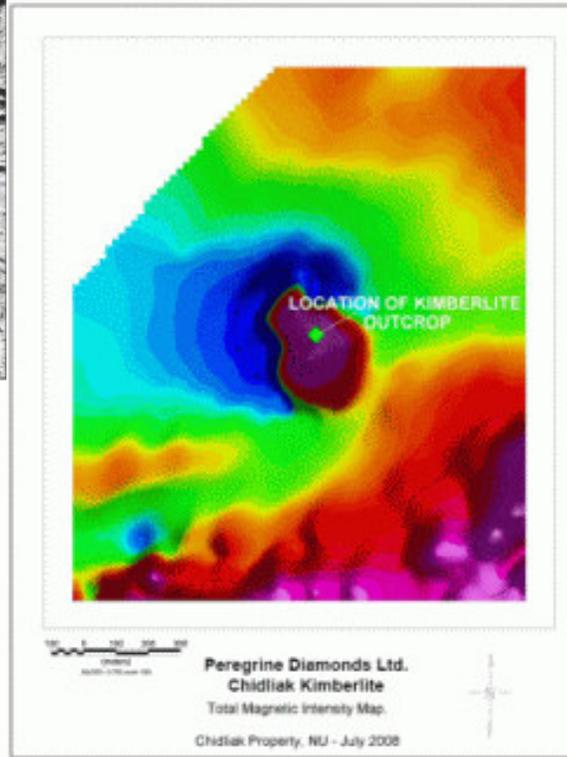
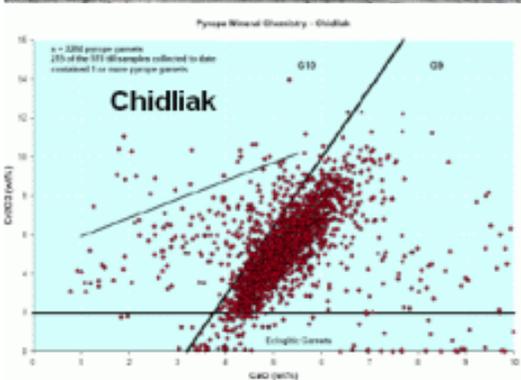
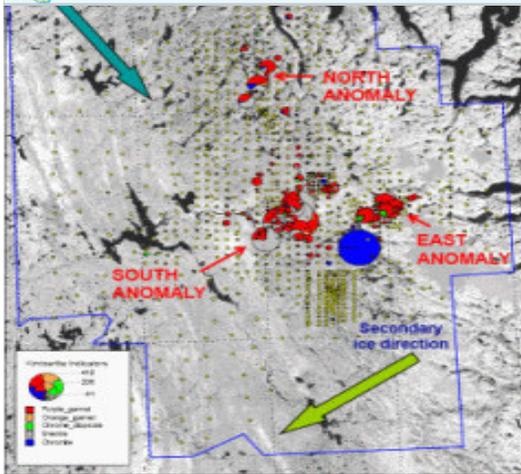
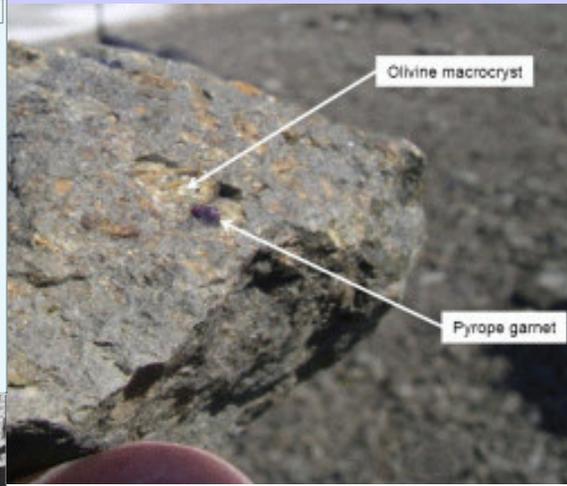
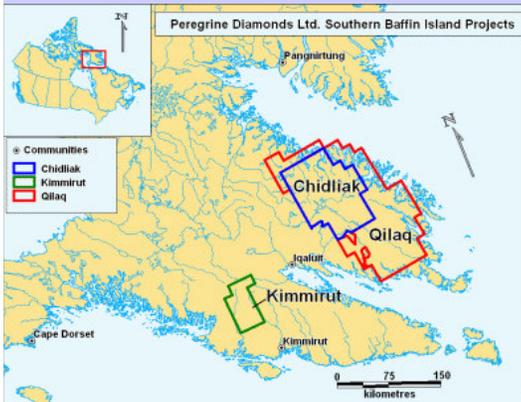


KaiserBottomFish.com

NGE - TSXV - CAD \$0.07

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Peregrine Diamonds (PGD-T) – the next Dia Met?



Peregrine Diamonds Ltd

2/28/2006 TO 2/27/2009



Event

Volume

Values

Issued: 80,310,232

High: \$4.25 on 4/10/2006

Max Volume: 3,345,200 on 9/10/2008

Diluted: 106,353,549

Low: \$0.17 on 7/23/2008

Max Value: \$2,507,430 on 4/28/2006



KaiserBottomFish.com

PGD - TSX - CAD \$0.56

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Timeline for Resource Sector

- 2009: real estate and general equity markets continue to go down in search of a bottom where real value that is sustainable in a post credit bubble and capital gains oriented world attracts capital
- Economic numbers in terms of unemployment and GDP growth will worsen steadily well into 2010 as the banking system is nationalized and the mess is sorted out
- Uncertainty about the length of the “depression” and what the global power dynamic will look like in 10 years will result in exponential increase in investment demand for gold as a long term asset preservation strategy, resulting in a sharp real price move that establishes a new \$1,200-\$1,800 trading range for gold
- The sudden new robust economics for gold ounces in the ground will spark a race to production similar to what happened to the base metals sector in 2003-2008, except this time there will not be the nagging uncertainty about how long the real estate bubble can sustain US GDP and to what extent the Asian economy as decoupled from the OECD economy.
- The perception that \$1,000 is the new base for gold and the prospect that the significantly higher prices long proclaimed by gold bugs could happen will pull institutional and retail capital into the gold mining sector where the leverage for very big gains exists
- During 2009-2010 a gold mania will sweep the resource sector starting with the producers and very rapidly washing down the food chain to non-producers
- The historical relationship between gold and silver will create a parallel boom in the silver sector
- By the second half of 2009 Obama will have tabled a new vision for what America is all about in a world characterized by strategic oil dependency, climate change, and the growing footprint of Asia
- During the second half it will become clear that nuclear energy is part of a shift to non-fossil fuel based energy infrastructure, and pounds in the ground uranium juniors will rise again
- By 2010 infrastructure renewal programs will be underway, coinciding with a shift by China away from export dependency to stimulation of a domestic consumer economy, in effect creating 2 decoupled raw material demand tracks
- Base metal prices will rise off their current bottoms as a new supply-demand imbalance created by the current supply destruction and a shorter than expected “depression” catches everybody off guard once again
- The Wall Street response will be the mantra that the best way to deal with soaring raw material prices is to invest capital in the mobilization of new supply to capture the implied profit margin
- By 2011 the baton will pass from the gold sector back to the raw materials sector.

Thank You

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