

Spratt 2019
Natural Resource Symposium
Potential Trends for a World in Flux

Presented by John Kaiser

July 30, 2019

Vancouver, Canada

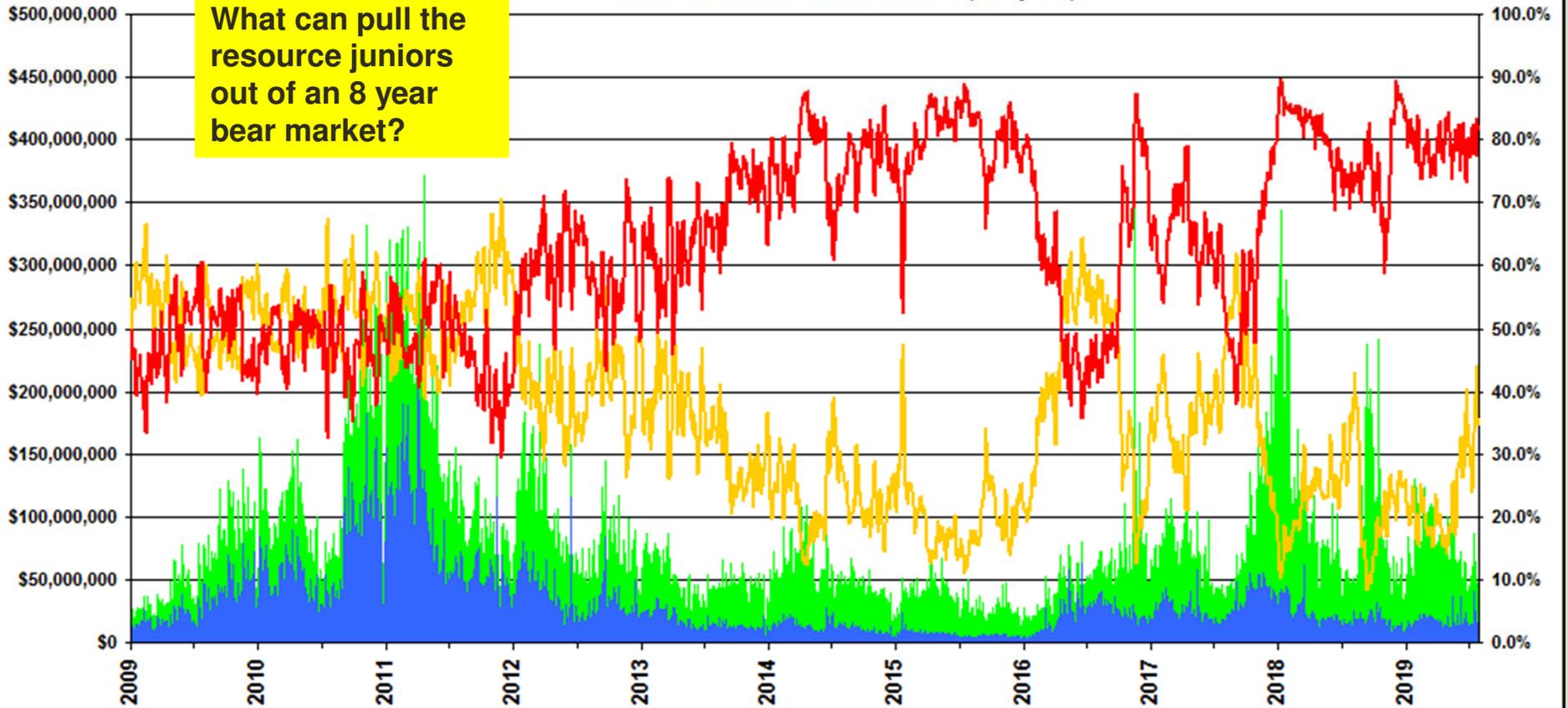


Daily TSXV Resource Sector Value Traded

July 29, 2019

- Non-Resource Traded Value
- TSXV Resource Sector Traded Value
- Non-Resource TSXV Traded Value % (5 day MA)
- Resource Sector Traded Value % (5 day MA)

What can pull the resource juniors out of an 8 year bear market?

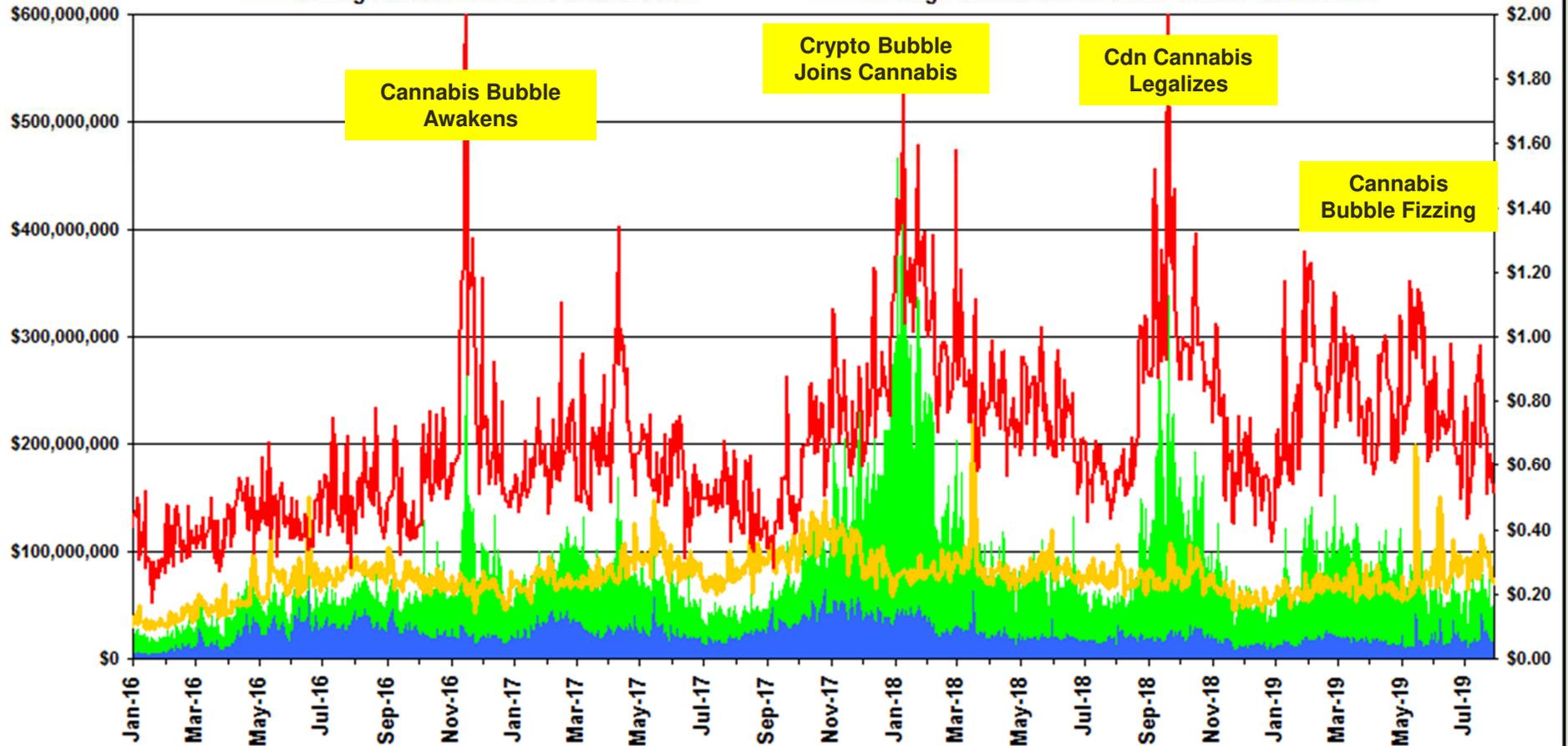




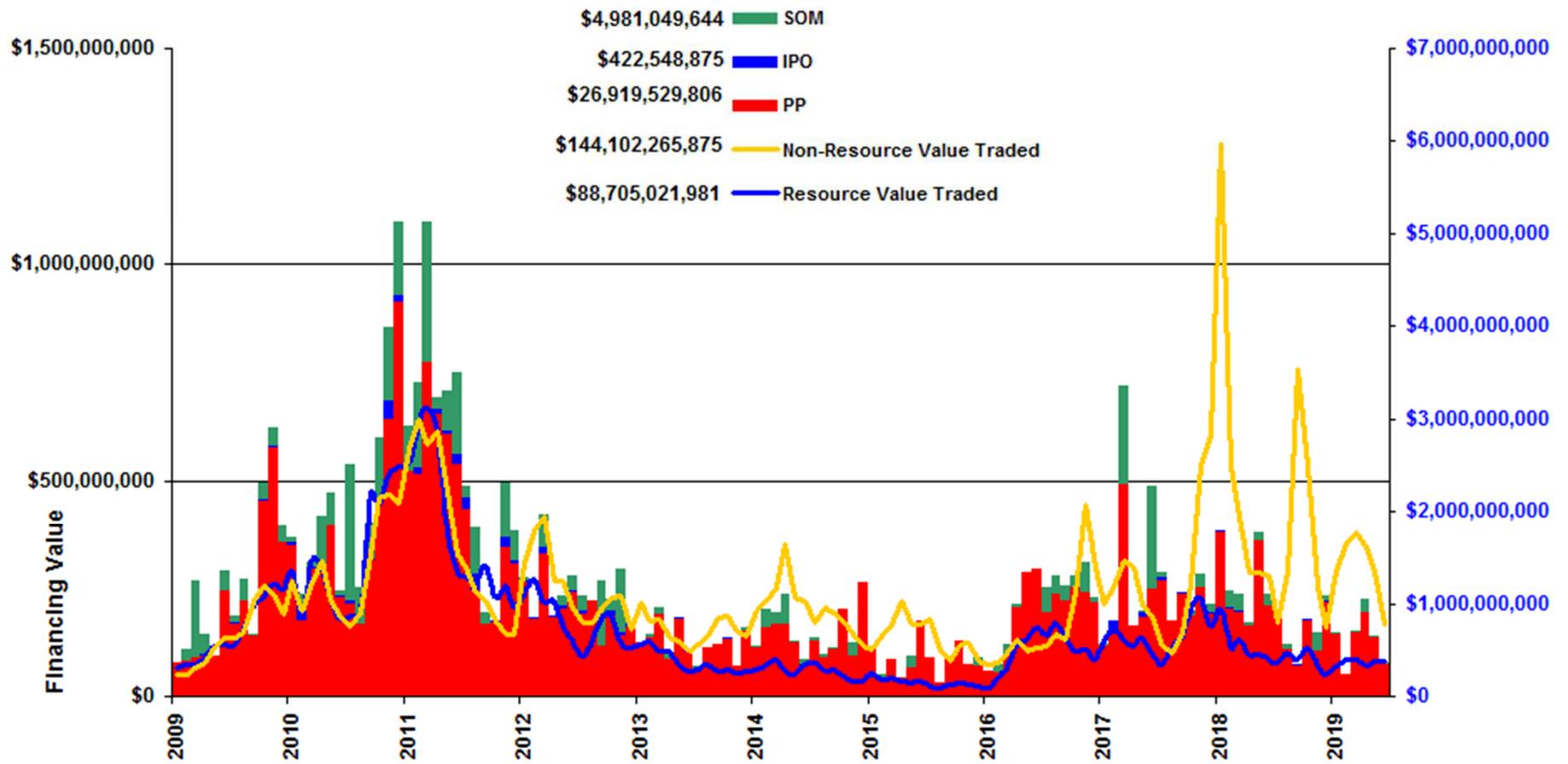
Daily TSXV Resource Sector Value & Average Price Traded

July 29, 2019

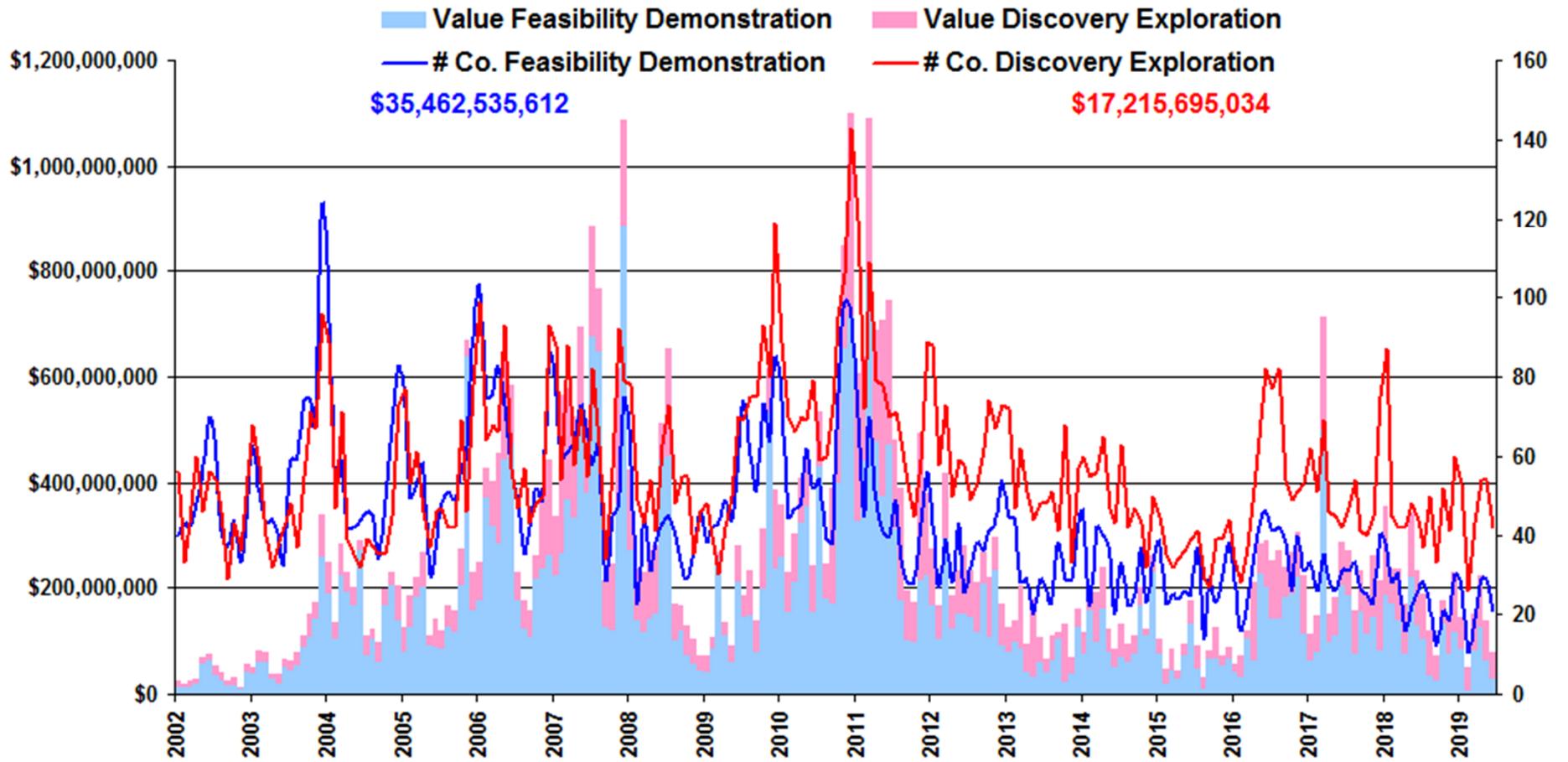
■ TSXV Resource Sector Traded Value ■ Non-Resource Traded Value
— Average Resource Sector Traded Price — Average Non-Resource TSXV Traded Share Price



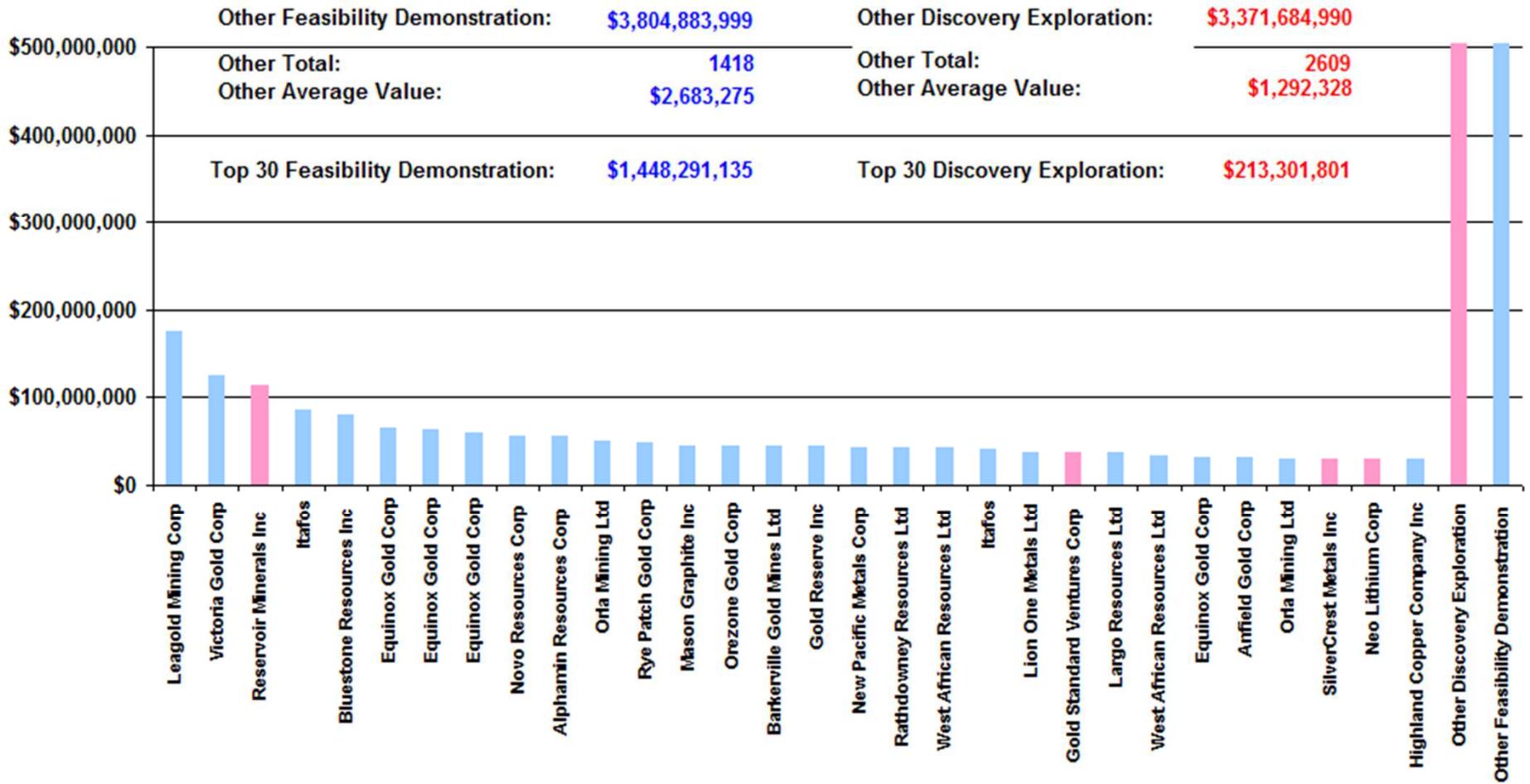
Monthly Value of Resource Sector TSXV Financings 2009-2019



Monthly Value of Resource Sector TSXV Financings



TSXV Resource Sector Financings 2016-2019

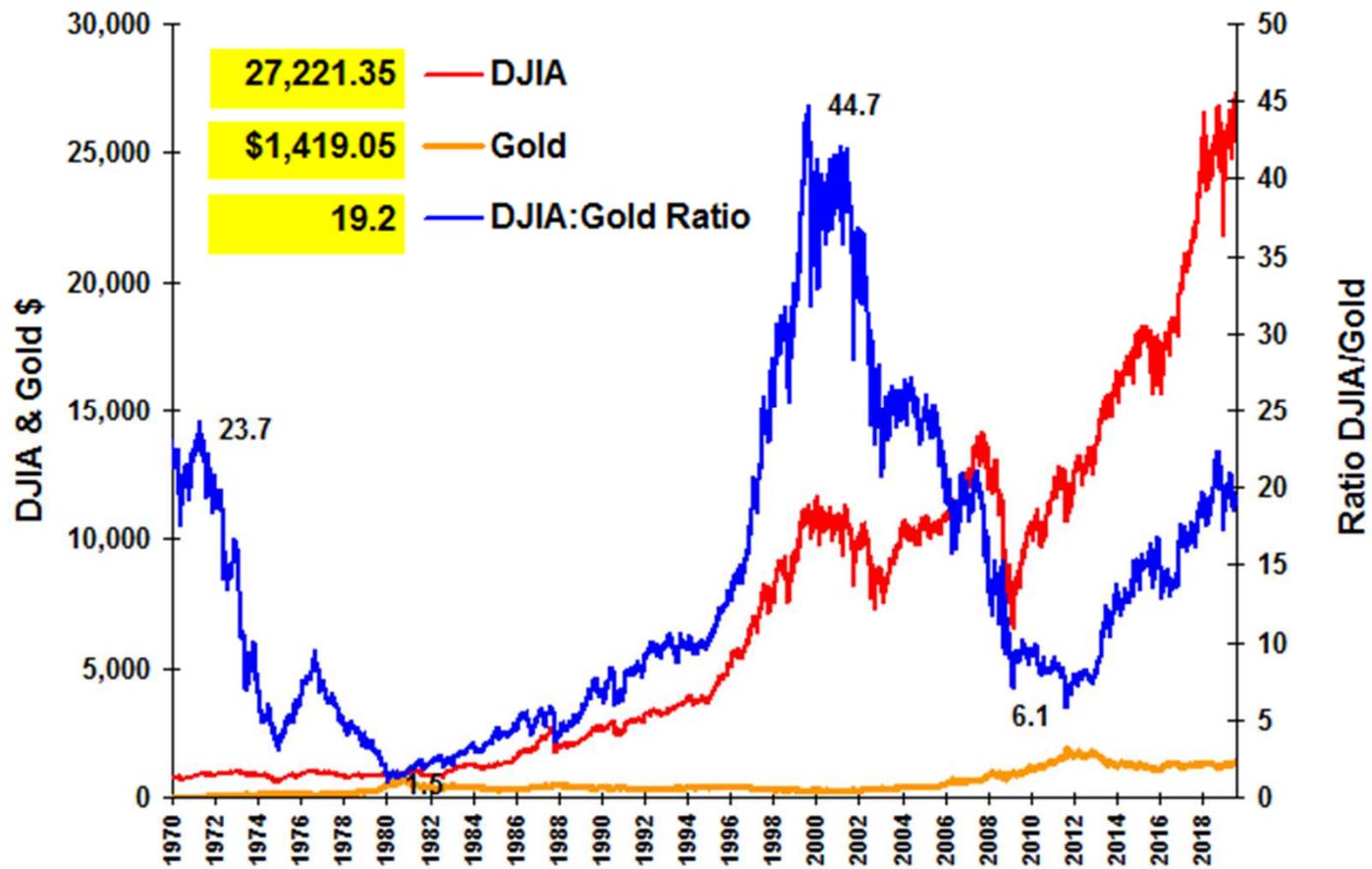




A failed feasibility demonstration play yielded a new discovery that led to a \$2.1 billion cash buyout 30 months later – \$0.35 to \$6.20 - what did it do for the juniors as a whole?

What does it take to bring back lost audiences and capture the attention of millennials?

DJIA vs Gold



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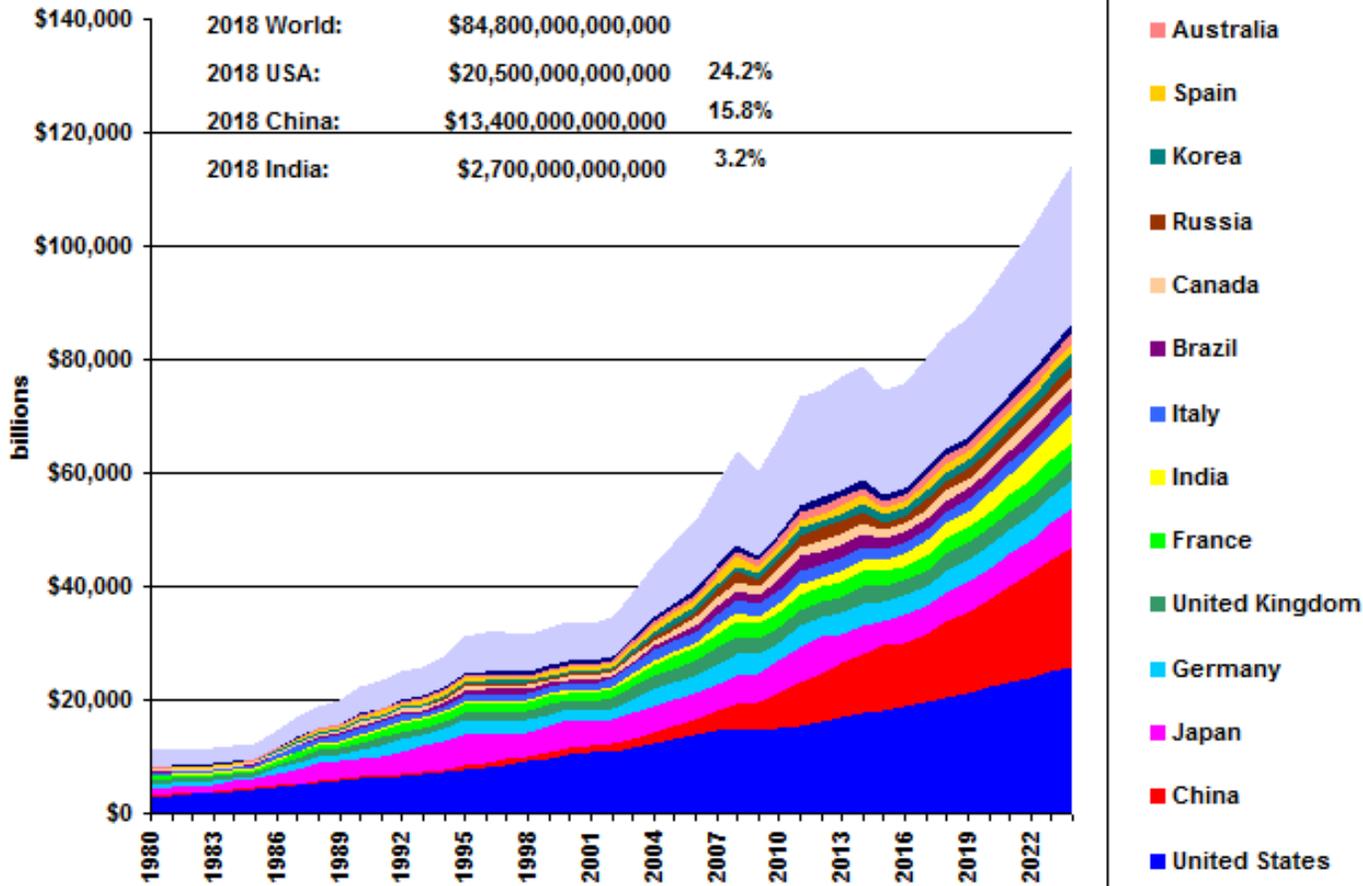
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3 potential drivers for a gold uptrend

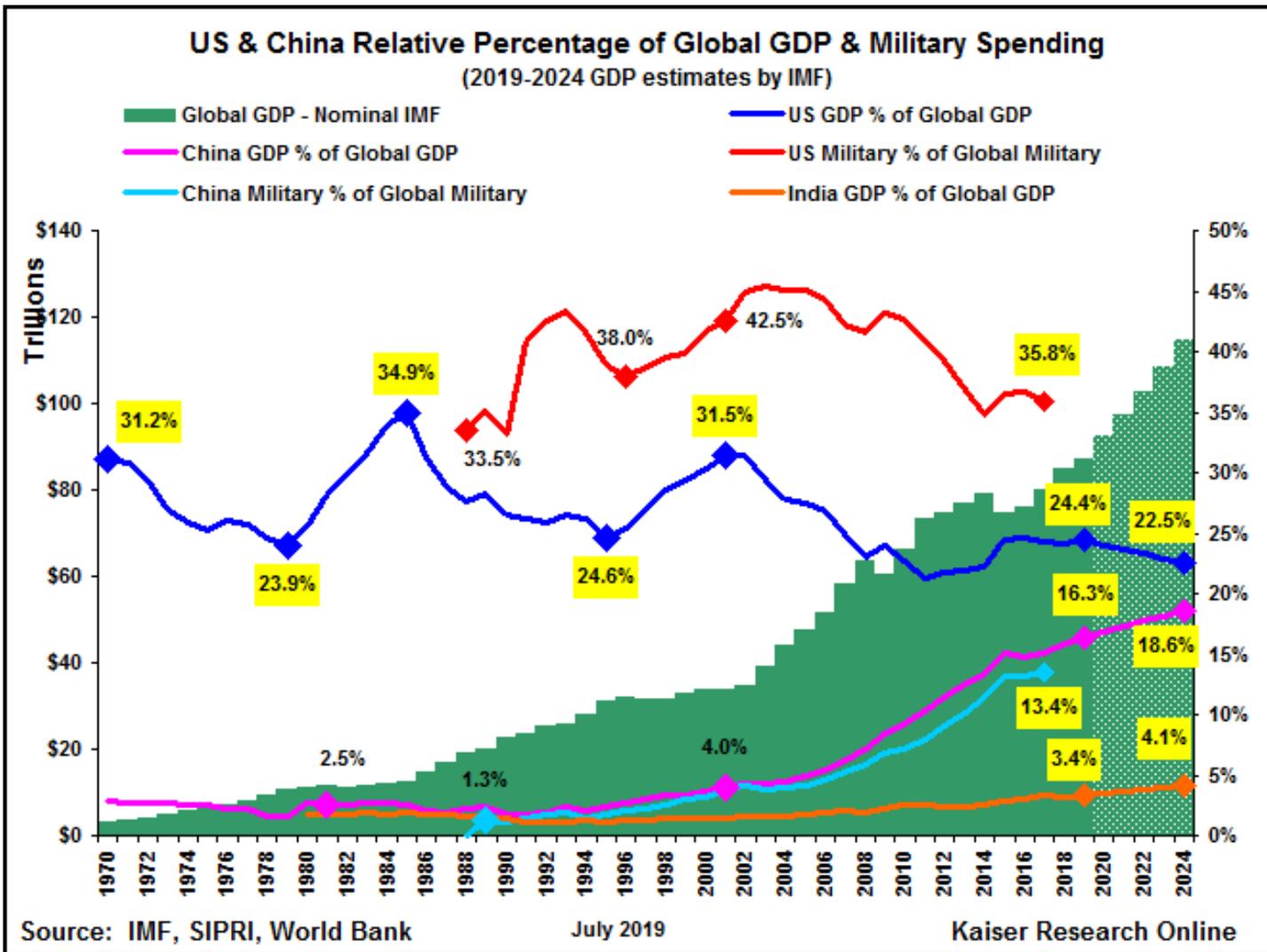
- Prosperity
- Uncertainty
- Fiat Currency Debasement & Hyper-Inflation

Global GDP Current Dollars

IMF forecasts 2019-2024 (Apr 2019 WEO)



America's economy has dominated since 1980 but China's GDP has exploded since 2000, making China the biggest driver of global economic growth and expansion of prosperity.

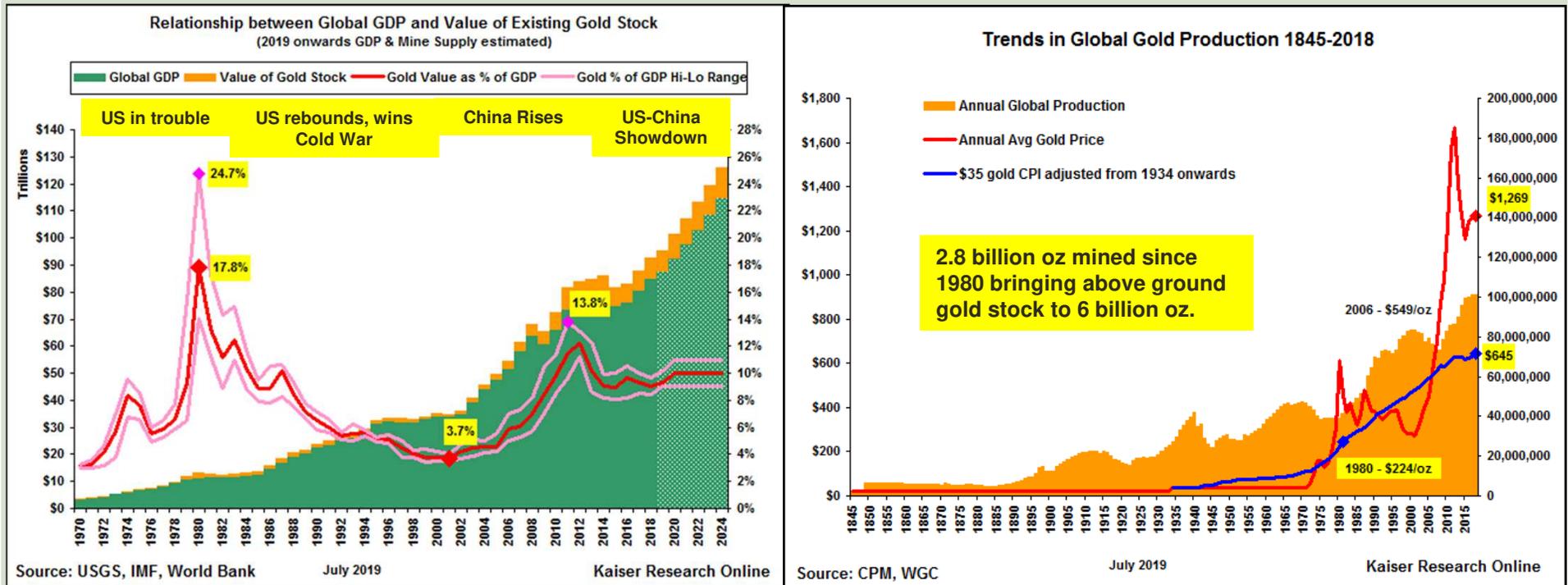


Since 1970 America has experienced 2 major growth spurts in terms of its share of global GDP – 1980-87 and 1995-2001, but since 2002 that share is in a downtrend while China’s is rising.

What if we plot the value of the above ground gold stock against nominal global GDP, making sure we account for new annual mine supply?

What relationship might you expect gold to have with global prosperity?

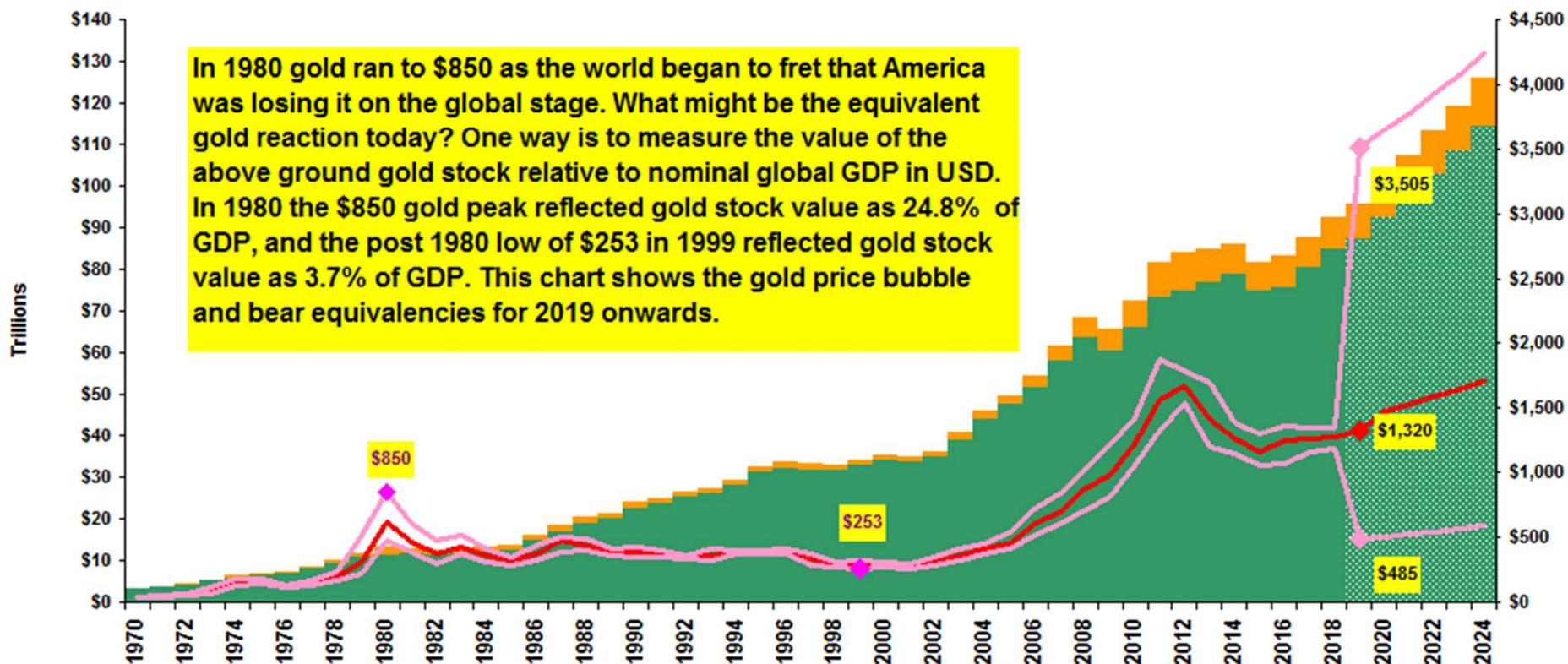
Who is the guarantor of a better future: China or America?



Past Peak & Bottom Based Bubble & Bear Limits for Gold

(2019 onwards GDP & Mine Supply estimated)

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



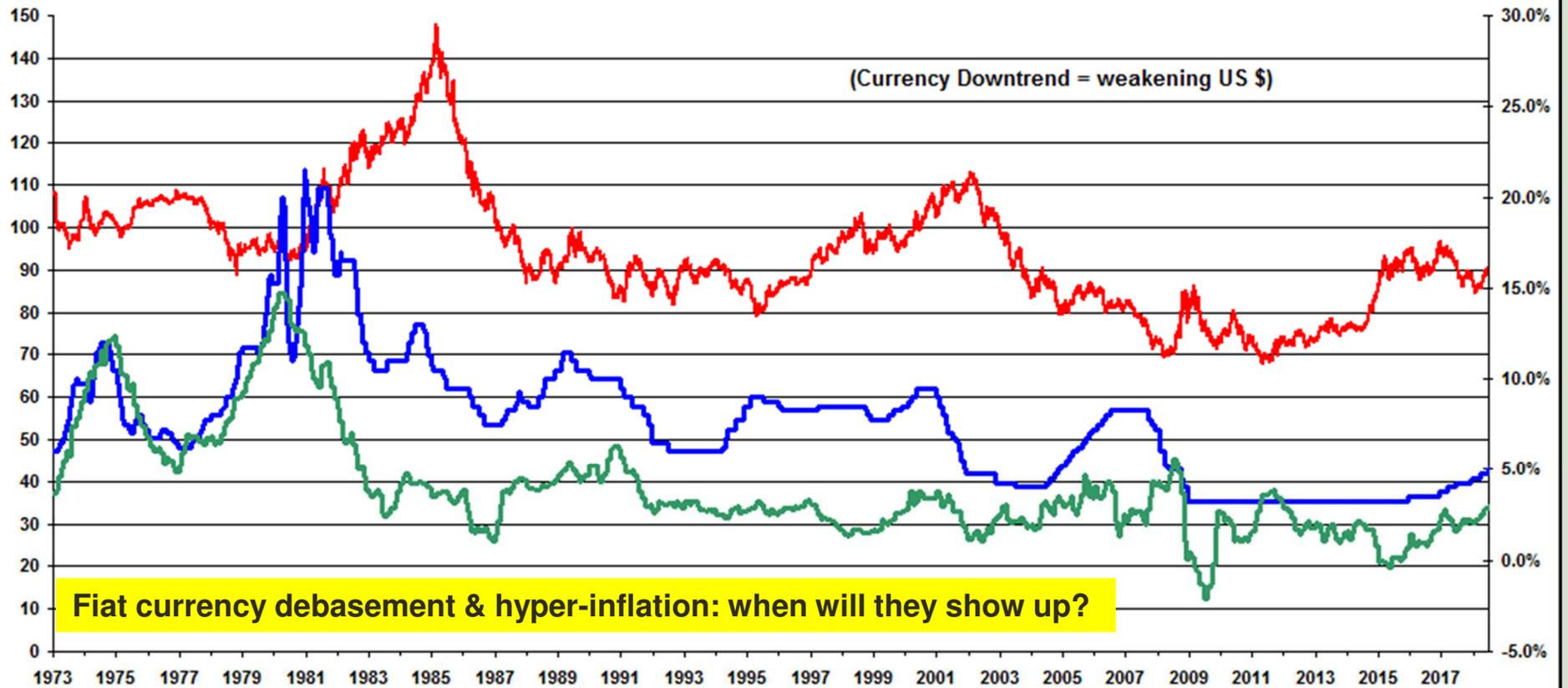
Source: USGS, IMF, World Bank

July 2019

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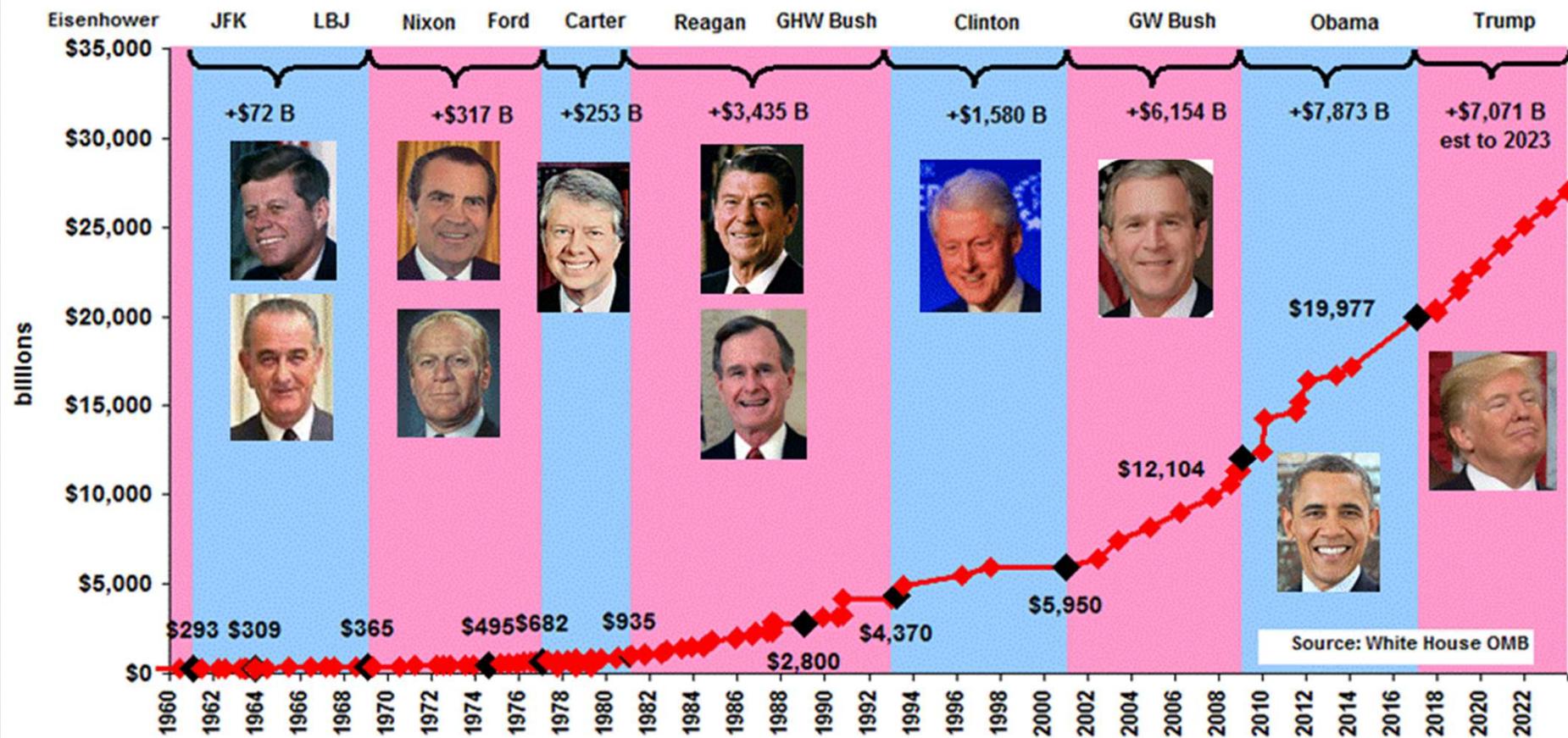
US Dollar Major Currency Index

— Major Currency Index — Prime Rate — US CPI Inflation Rate



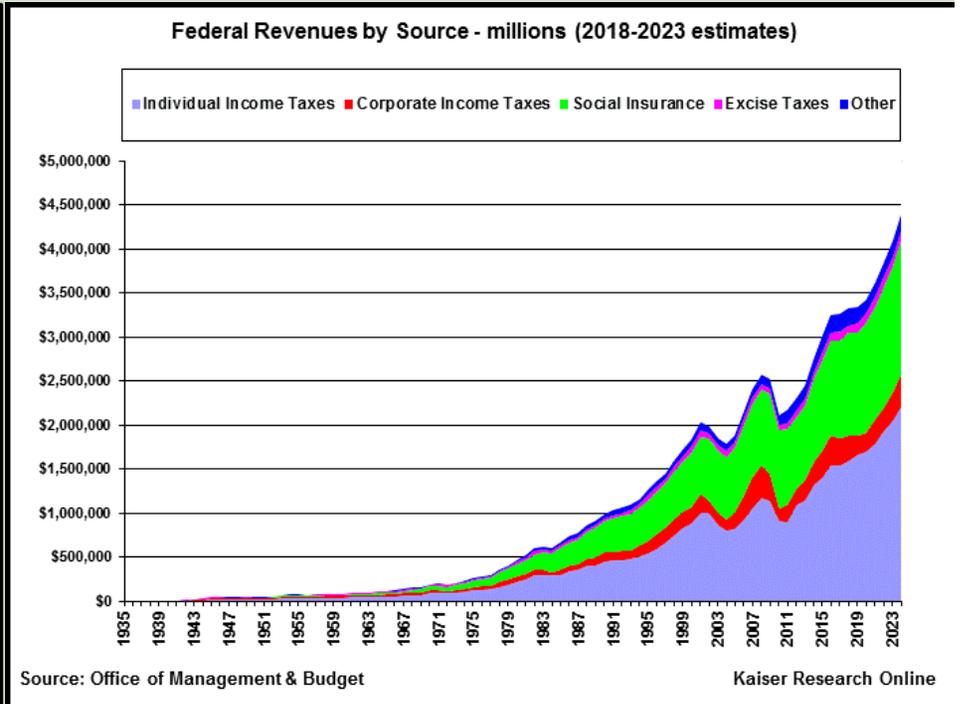
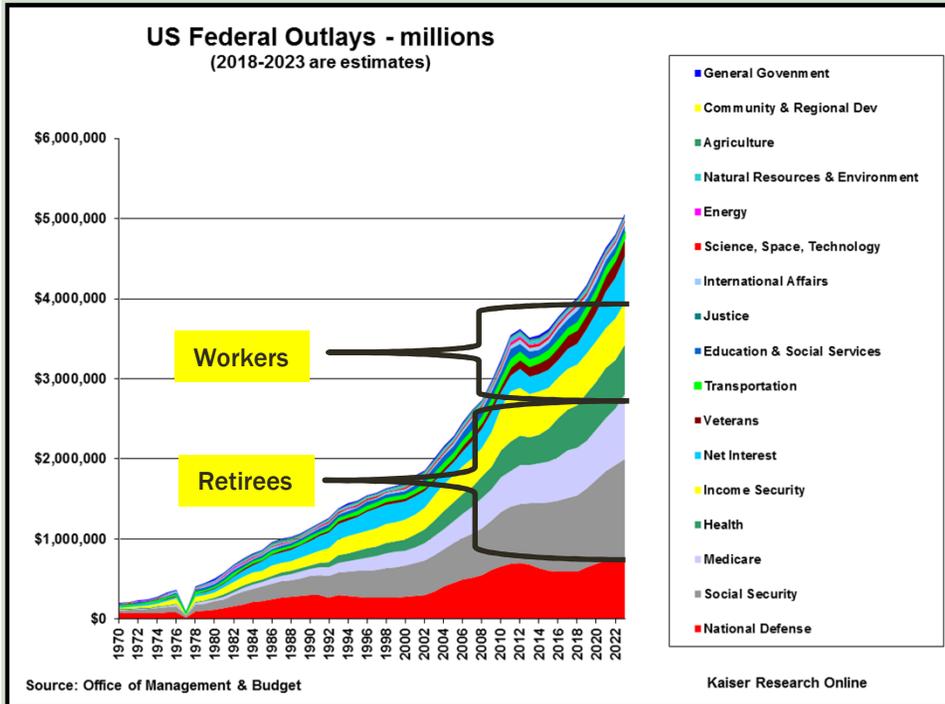
US Debt Ceiling Increases (2019-2023 WhiteHouse OMB estimates)

Republican President Democrat President Debt Ceiling



Source: White House OMB

A looming inter-generational conflict



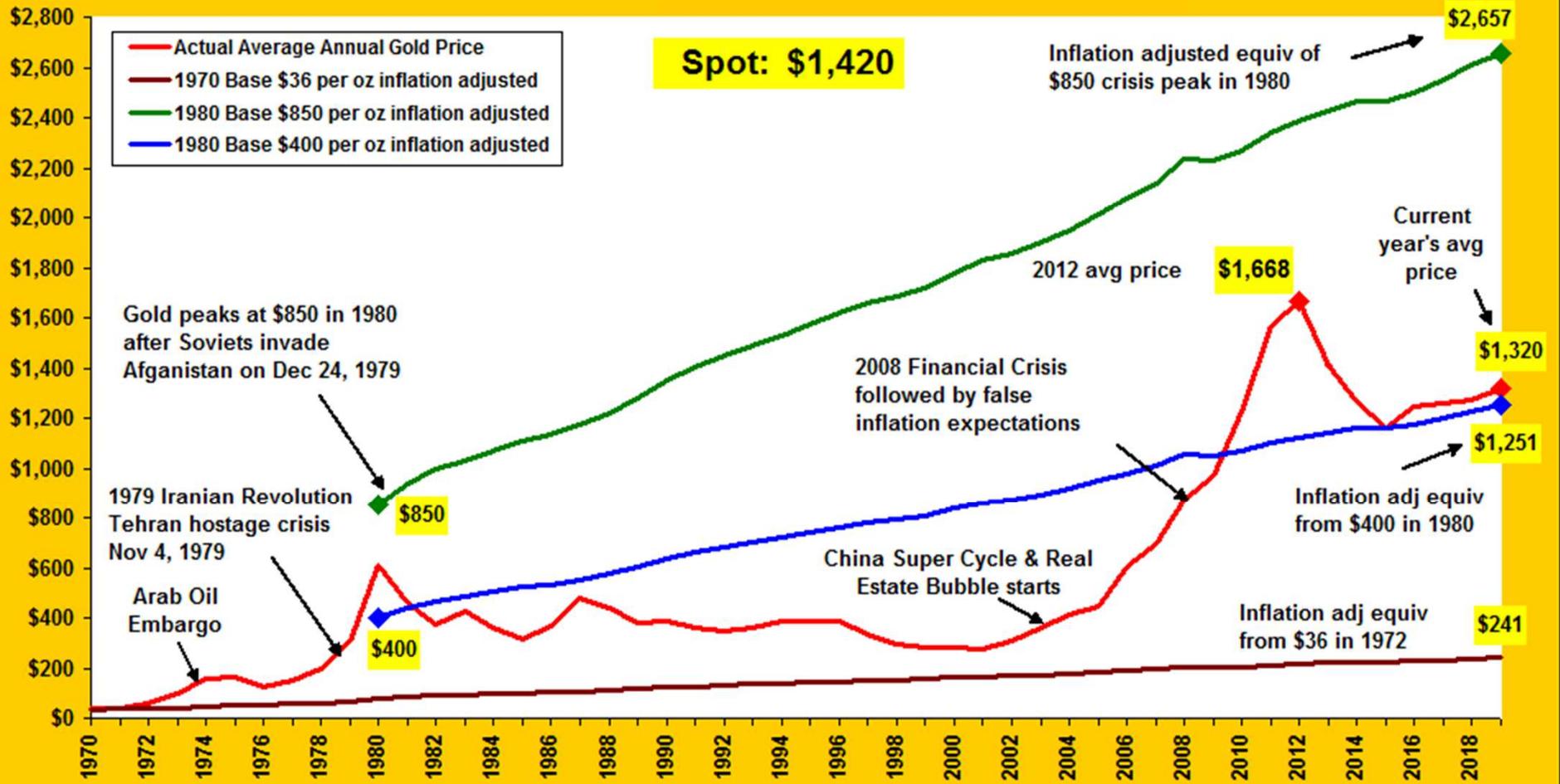
Note the rising outlays for retirees (Medicare & Social Security) as the boomer generation retires between 2010 and 2030 compared to health & income security outlays.

Note the social security and income tax revenue expectation relative to corporate tax needed to fund rising outlays for retirees.

Gold in Perspective

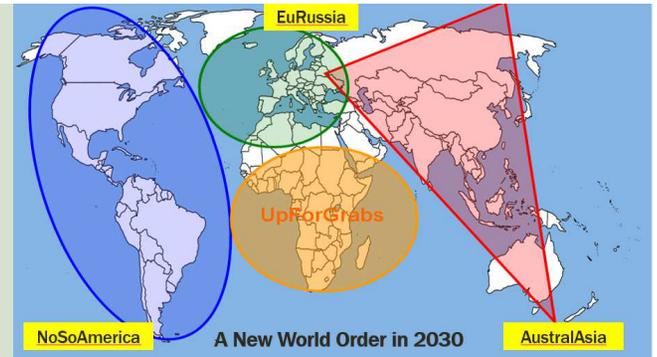
Real Price Gain
(Spot vs \$400 base in 1980 adjusted by CP) **14%**

July 26, 2019



Key trends shaping the future

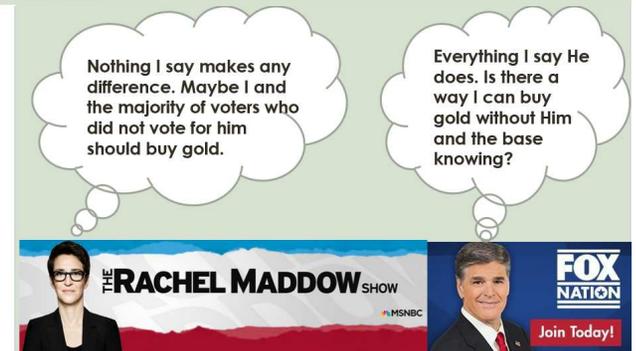
- Showdown between China and America
- Thug culture and the rising popularity of authoritarianism
- America First policies & isolationism
- Populist backlash against free trade and winner take all libertarianism
- Extreme polarization of Americans

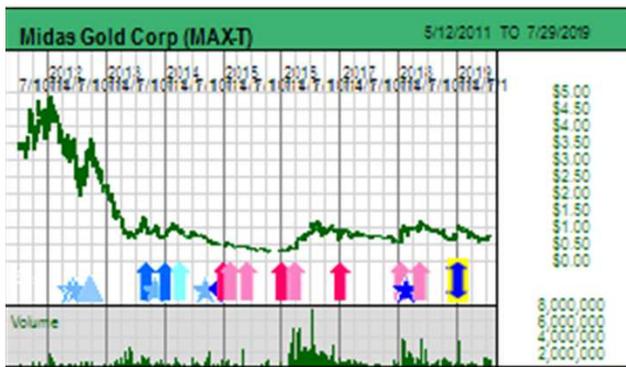


The lost audience problem:

A thumbs up for gold is a thumbs down for Trump!

But what about the liberal half of America?



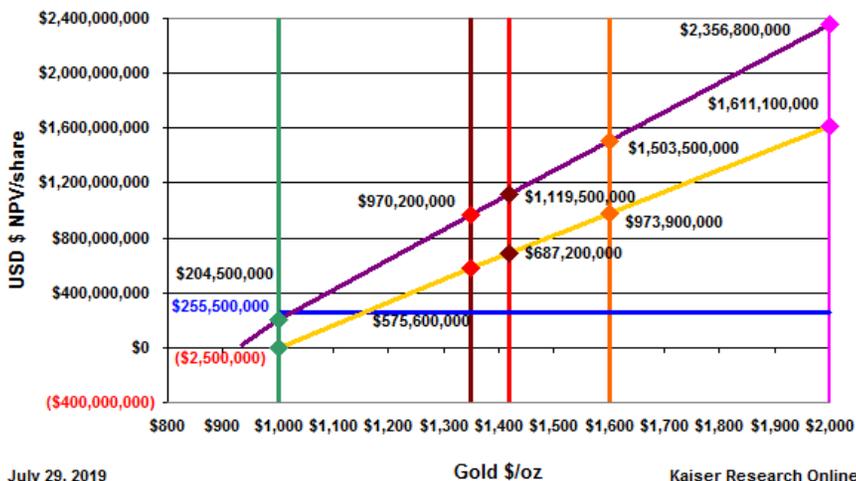


The Gold Optionality Play:

A modest real gold price move has a highly leveraged impact on stock price.

Midas Gold - Stibnite - After Tax NPV Sensitivity

- Pessimistic - \$1,000/oz Au - IRR 9.9%
 - Base Case - \$1,350/oz Au - IRR 27.6%
 - Current - \$1,420/oz Au - IRR 25.1%
 - Optimistic - \$1,600/oz Au - IRR 33.8%
 - Fantasy - \$2,000/oz Au - IRR 46.8%
 - Implied 100% Project Value - \$255,500,000
 - AT NPV vs \$/oz Au at 10% Disc Rate
 - AT NPV vs \$/oz Au at 5% Disc Rate
- PFS Dec 2014: 20,000 tpd OP Flot-POX in Idaho, USA
 Capex \$970 M, SustCap \$98 M, OpEx \$29.28/t, 12 yr life
 LOM: 89 MT @ 1.61 g/t Au, 2.43 g/t Ag, 0.07% Sb (all fig metric)
 LOM Rec: Au 87.4%, Ag 19.2%, Sb 85.7%, \$16.47/oz Ag, \$3.78/lb Sb
 FD: 433 M, tax 29.4%, exch 0.76:1 USD/CAD, 100% Net
 LOM Output: 4 M oz Au, 2 M oz Ag, 100 M lb Sb



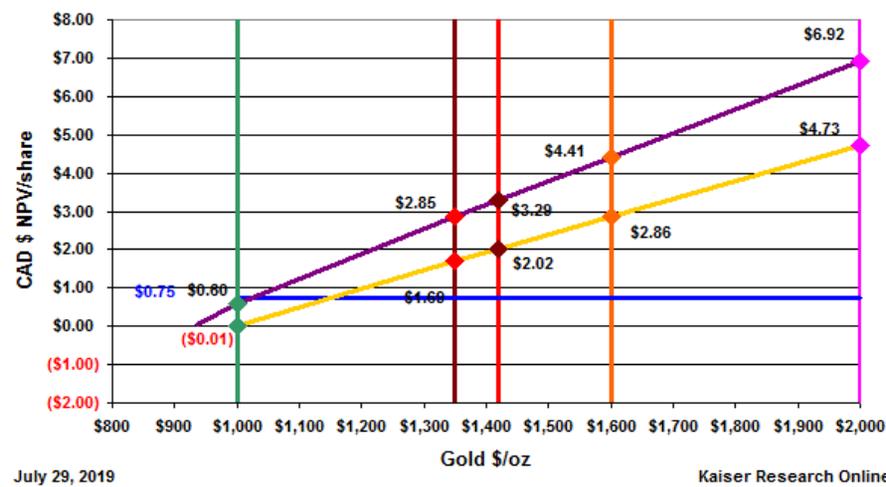
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Gold \$/oz

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 - Current - \$1,420/oz Au - IRR 25.1%
 - Optimistic - \$1,600/oz Au - IRR 33.8%
 - Fantasy - \$2,000/oz Au - IRR 46.8%
 - Current Stock Price - \$0.75
 - Share vs \$/oz Au at 10% Disc Rate
 - Share vs \$/oz Au at 5% Disc Rate
- PFS Dec 2014: 20,000 tpd OP Flot-POX in Idaho, USA
 Capex \$970 M, SustCap \$98 M, OpEx \$29.28/t, 12 yr life
 LOM: 89 MT @ 1.61 g/t Au, 2.43 g/t Ag, 0.07% Sb (all fig metric)
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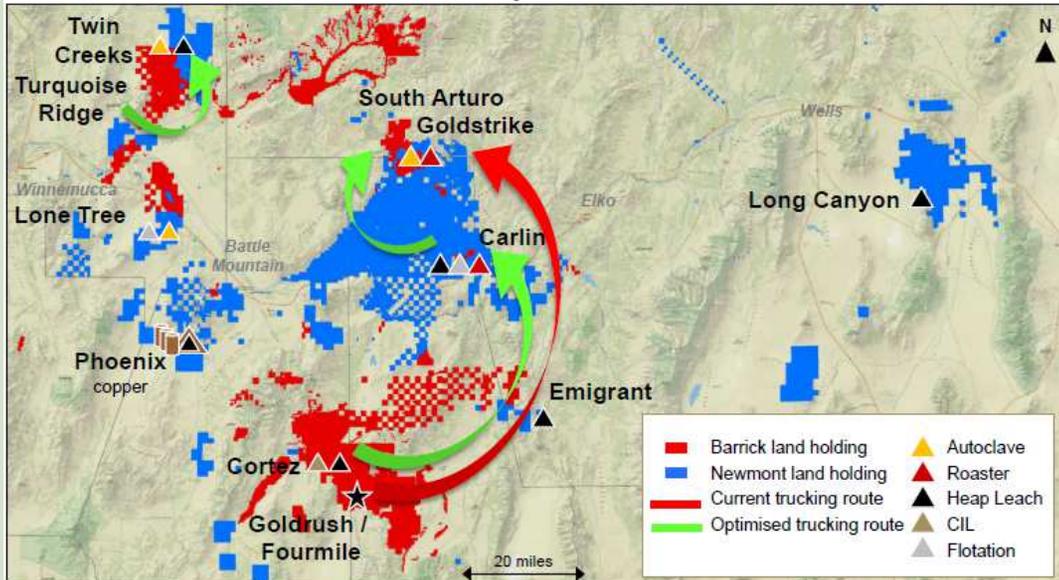
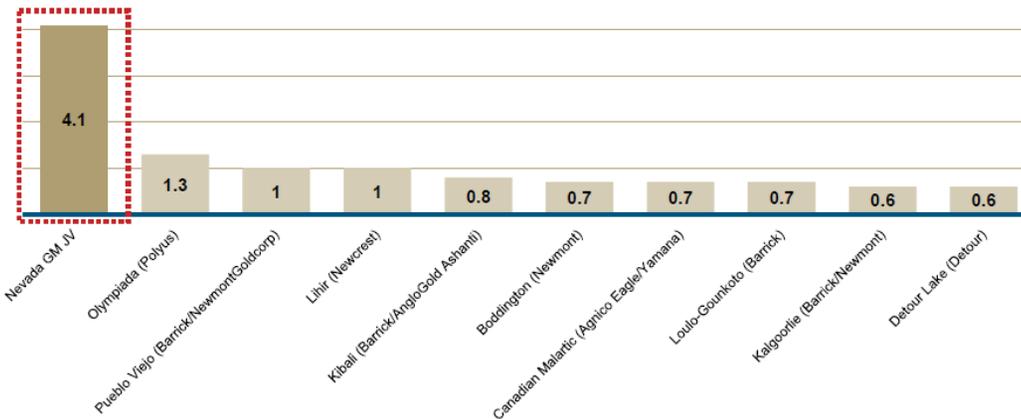


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Gold \$/oz

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Gold mines ranked by 2018 gold production¹ (Moz)



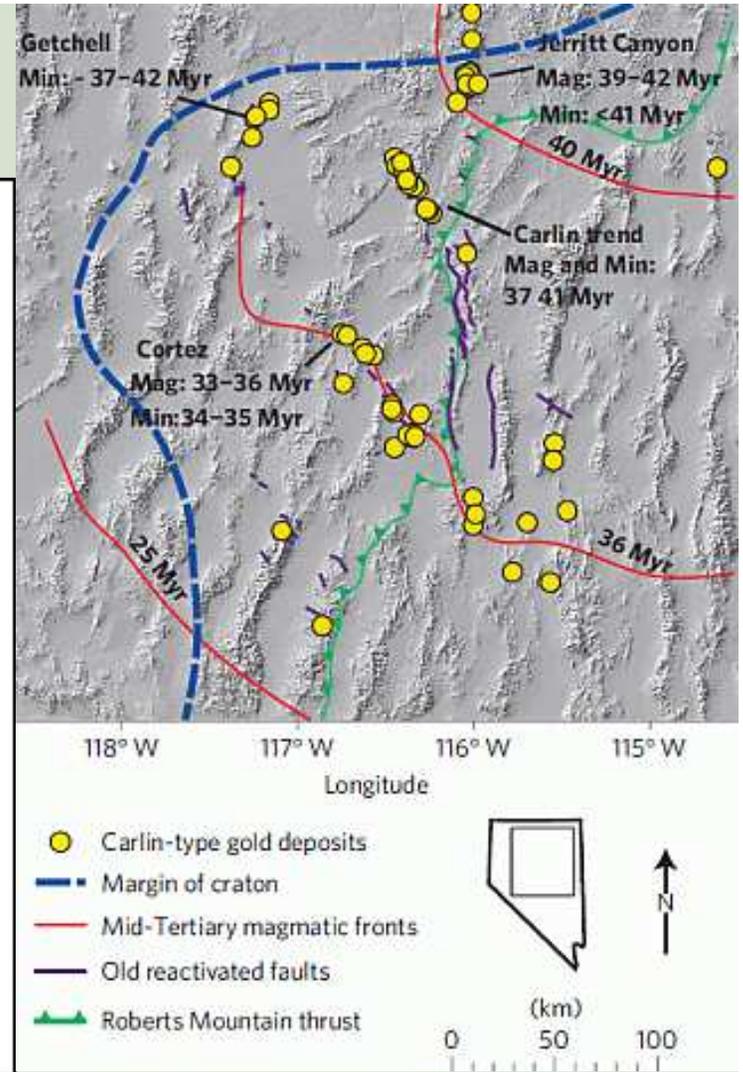
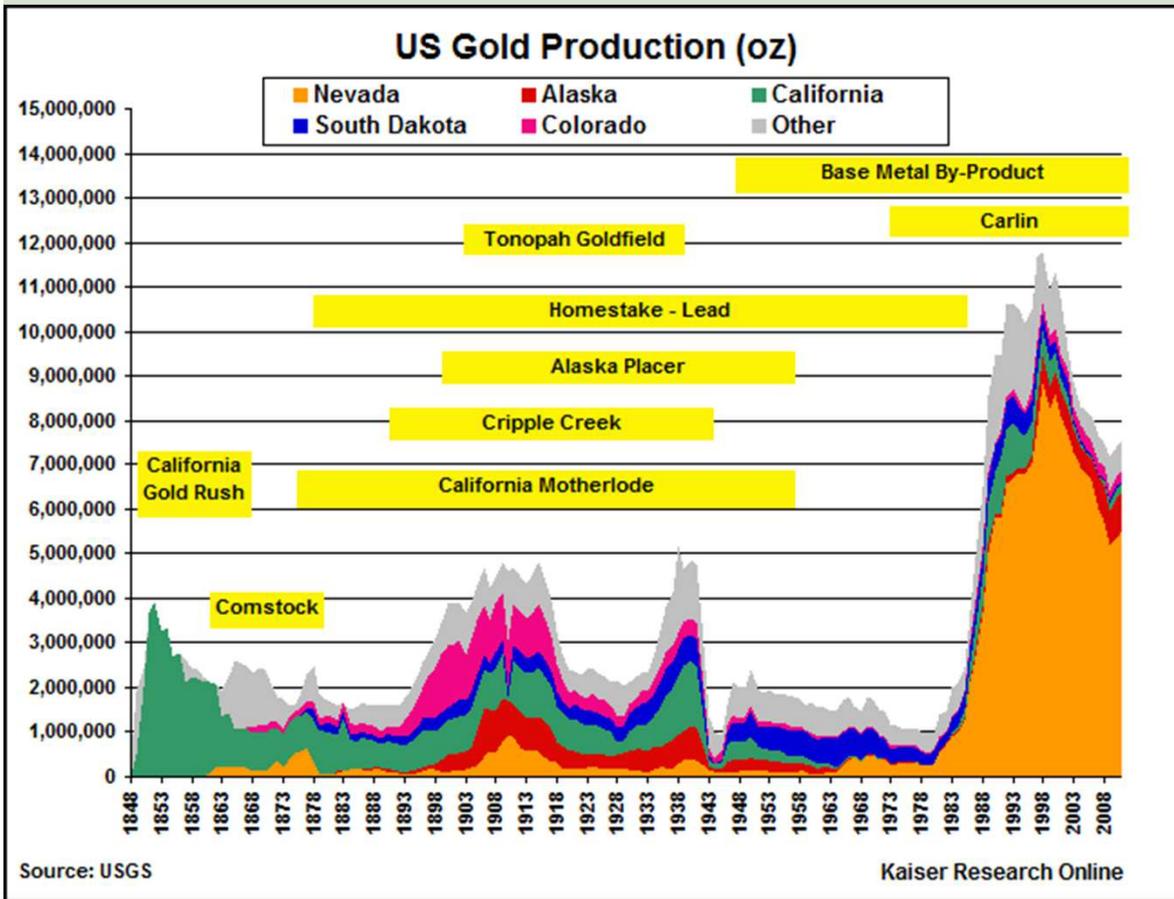
Nevada Gold Mines JV

The creation of an All-American gold mining champion.

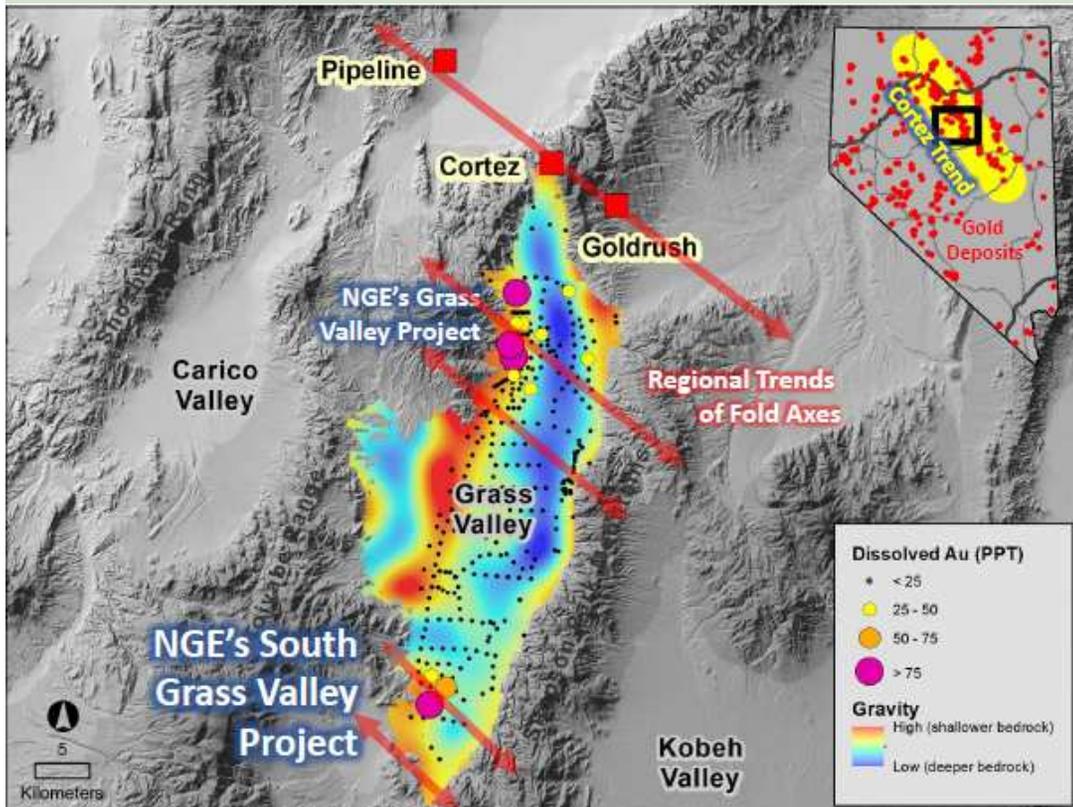
How long before Barrick and Newmont spin out their 61.5% and 38.5% stakes as a new NYSE listed company?

Do Barrick and Newmont control most of Nevada's gold discovery potential?

Back to America: Nevada 2.0

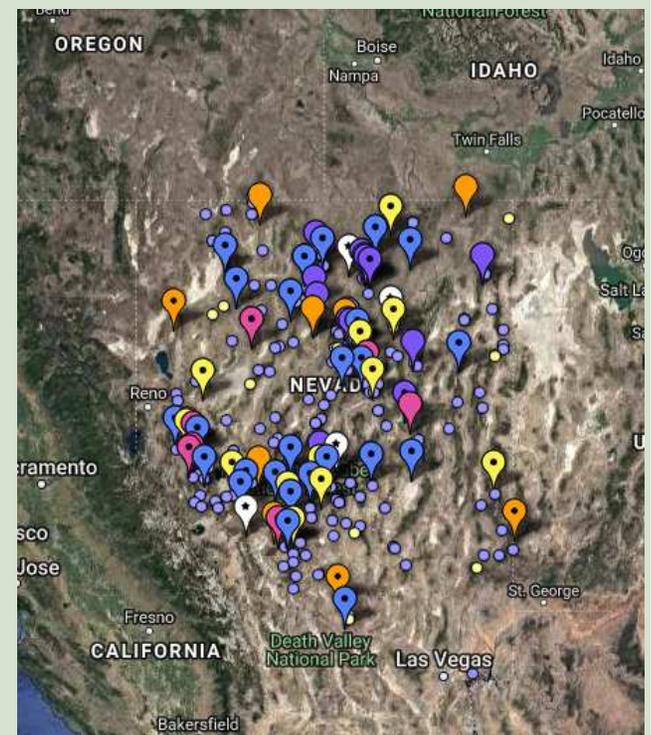
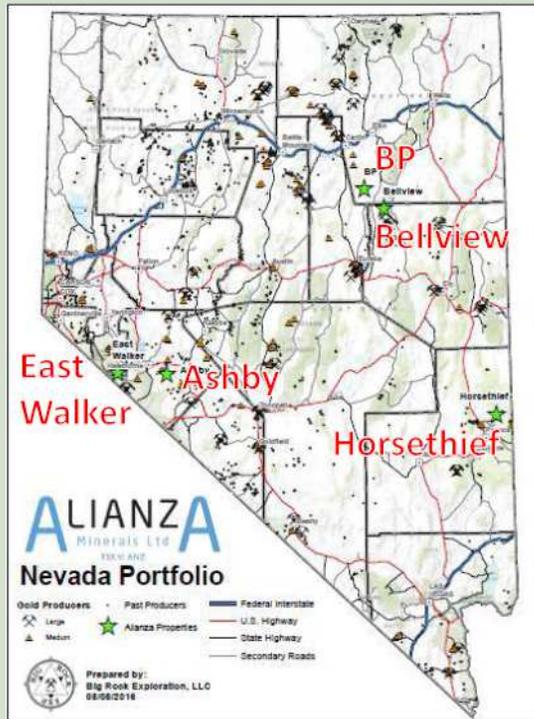
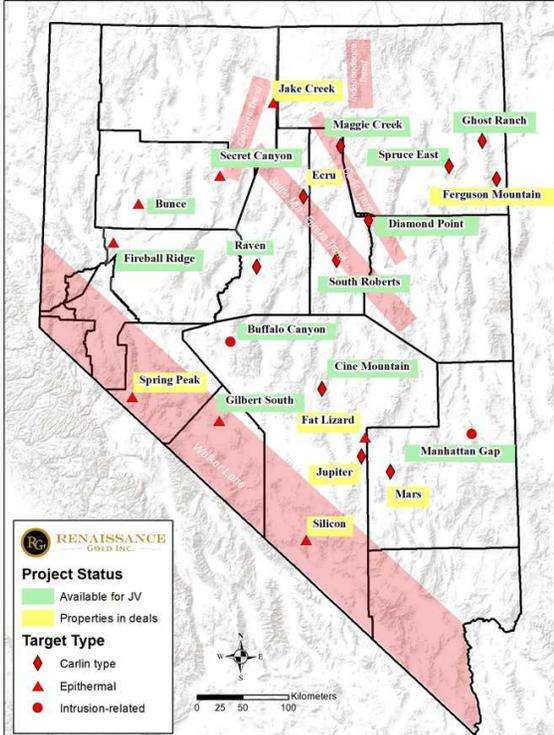


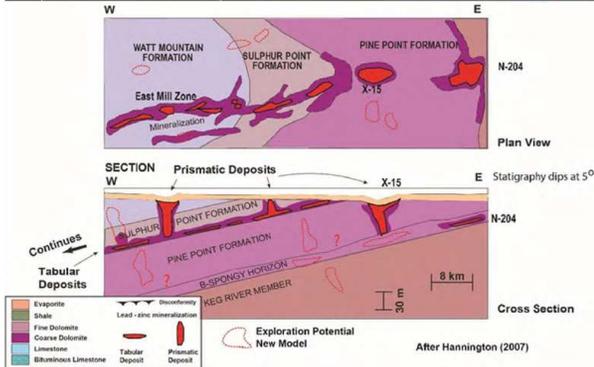
Hydrogeochemistry: a regional target generation tool ideally suited for Nevada's basins





Prospect-Generator Farmout Model

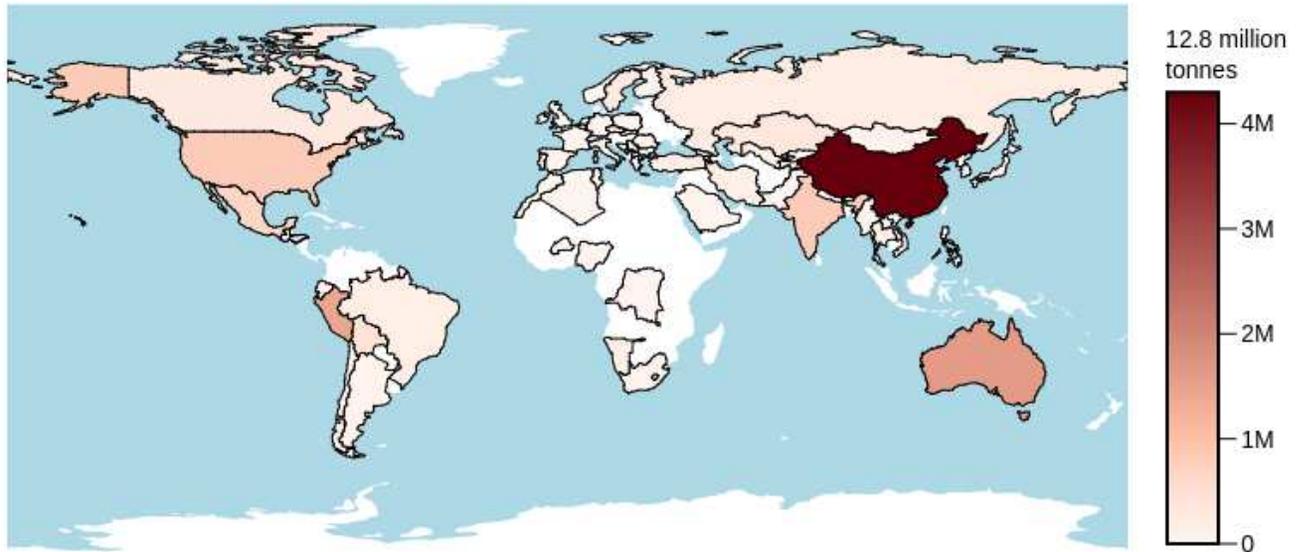




A Zinc Optionality-Discovery Play: Using new technology to find what Cominco missed at Pine Point.

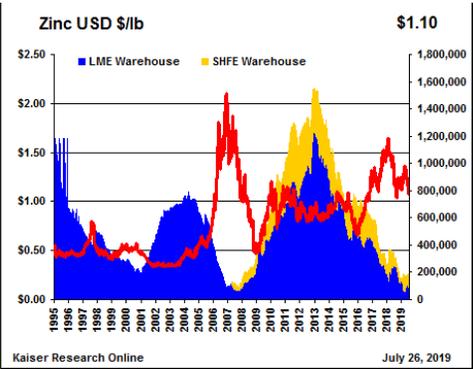
Date: 8/8/2018

Zinc Production 2015



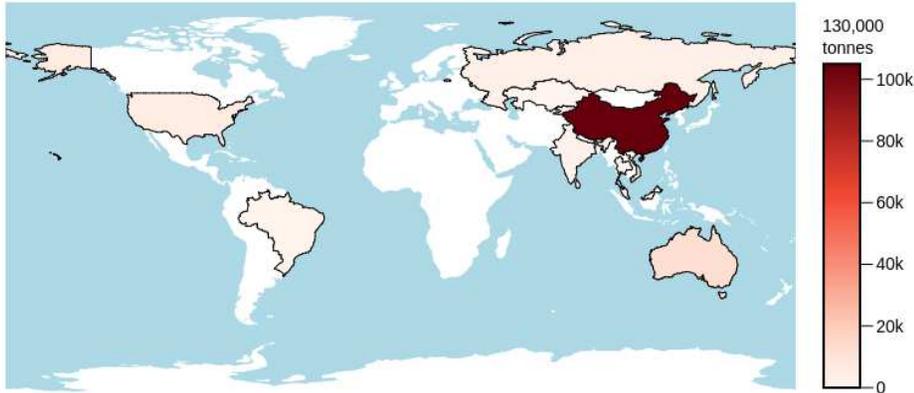
Source: U.S. Geological Survey (USGS)

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Date: 8/8/2018

Rare Earth Oxide Production 2015

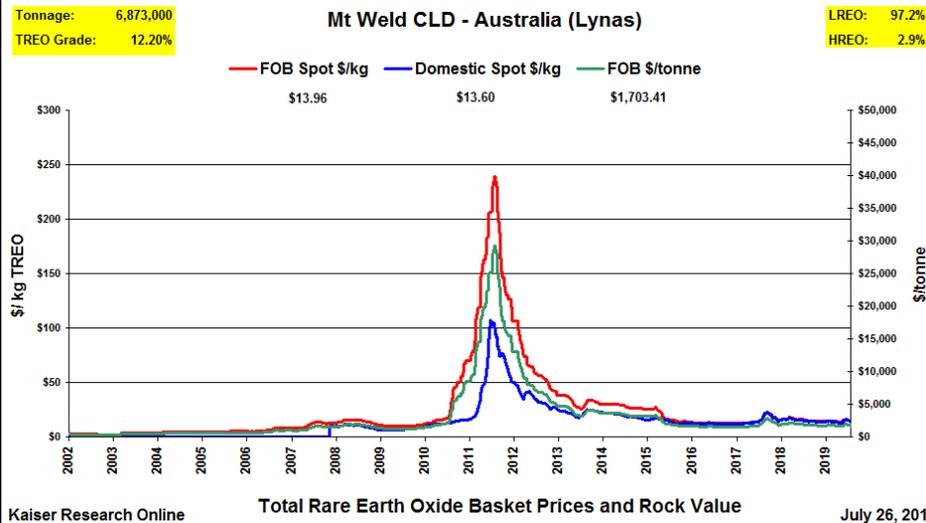


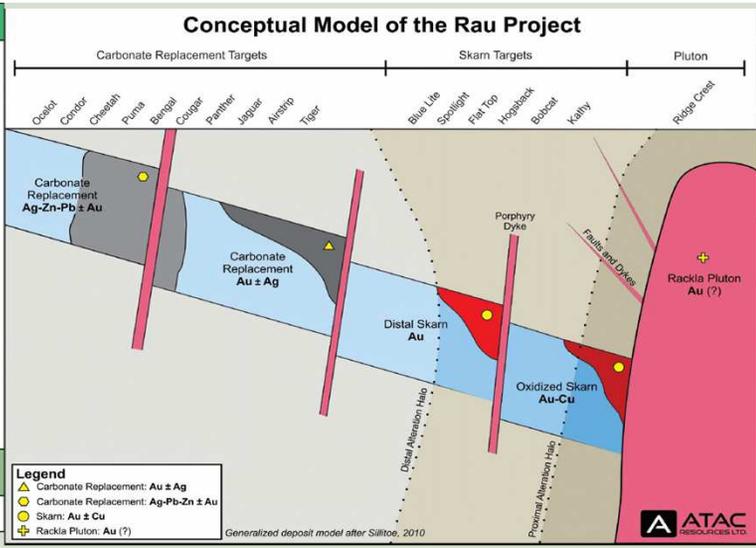
Source: U.S. Geological Survey (USGS)

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Rare Earth Mania 2.0?

China's pollution subsidized domination has not gone away, but what if China gets serious?

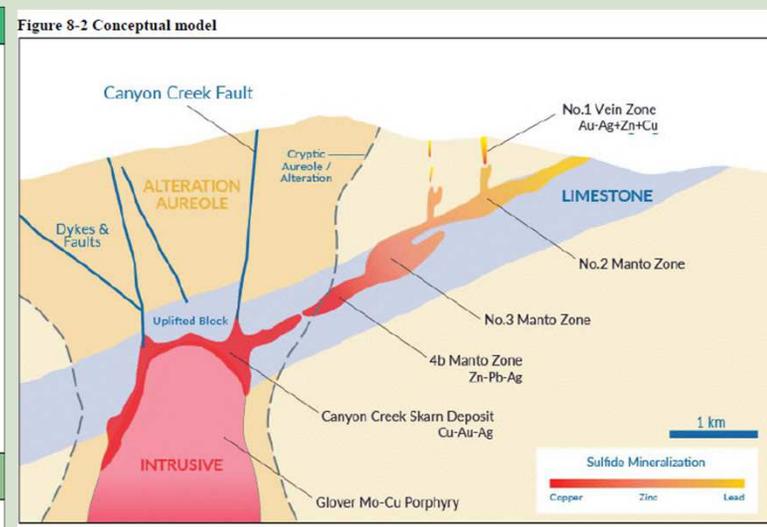


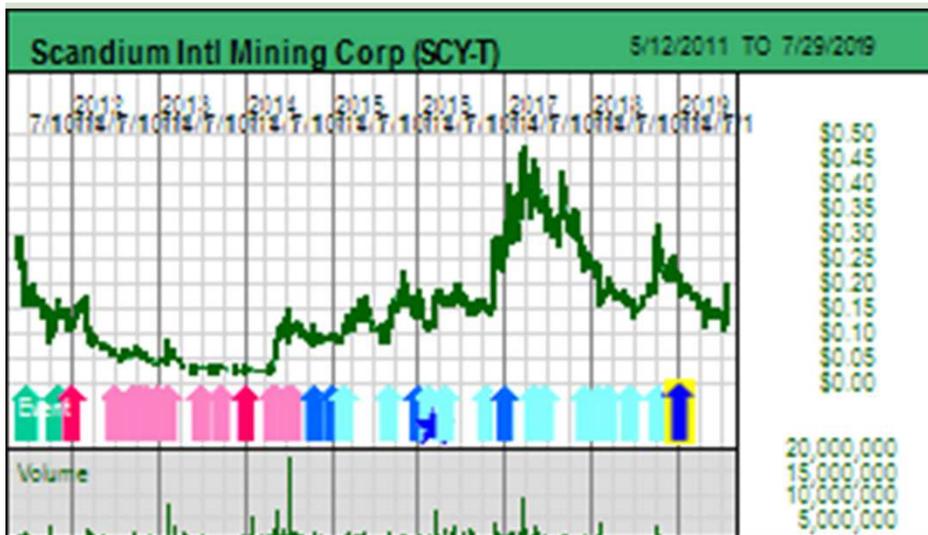


Exploring new aspects of major systems:

The Rau and Stardust high Grade Cu-Au CRD/skarn discovery plays.

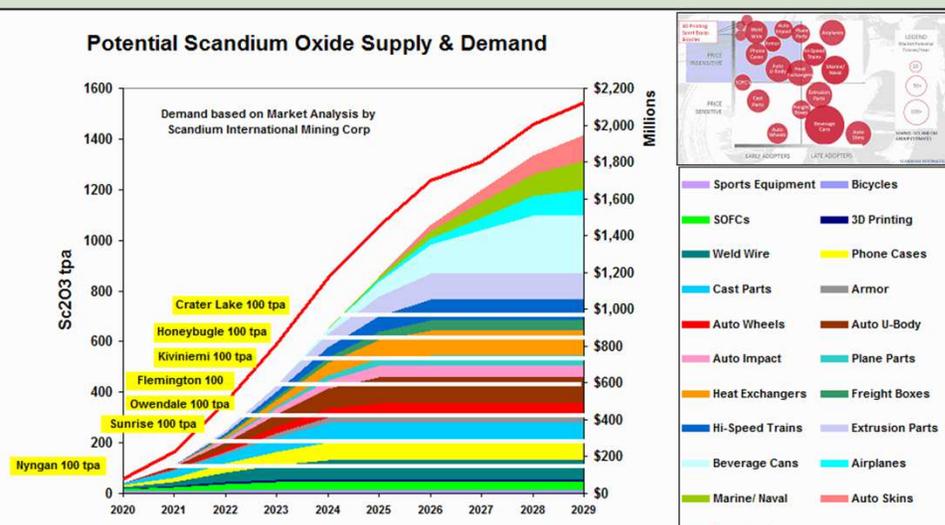
Good news in the fall?





Scamium or Scandium?

How often do you get a winner-take-all dynamic in the resource sector?
 Building an offtake market for scandium is too tough a slog for even Robert Friedland, but at least one group is working on it.



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Web Site: KaiserResearch.com
Email: jkaiser@KaiserResearch.com
Twitter: @KaiserResearch
Skype: KaiserResearch
Tel: (925) 631-9747
346 Rheem Blvd #107,
Moraga, CA, 94556, USA

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When members of a crowd with a conflict of interest and the goal of influencing the market and each other connect the dots and share the result in an untrusted, competitive environment, what is the collective result?