

2009 Vancouver Resource Investment Conference

San Francisco, USA

January 26, 2009

Presented by John Kaiser

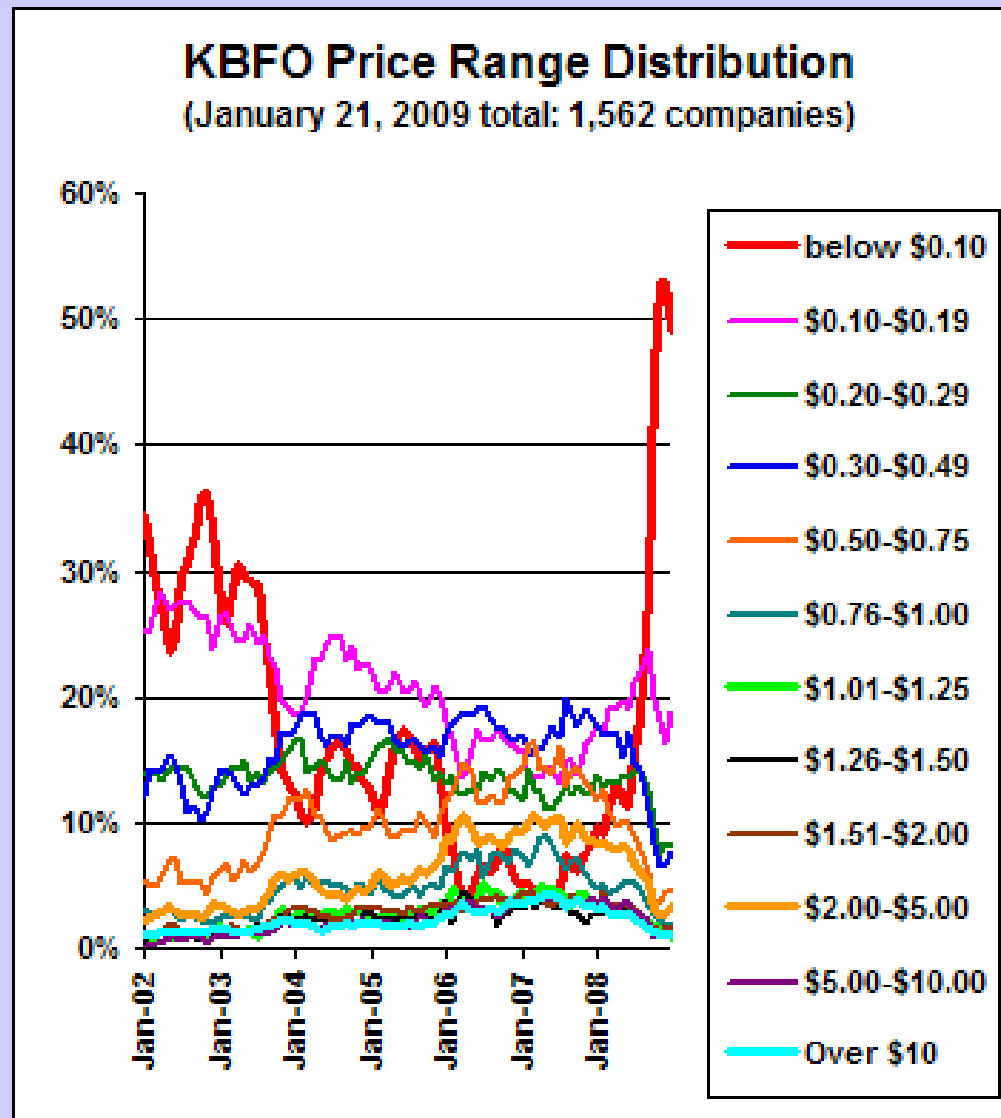
Obvious Trends Uncertain Timelines

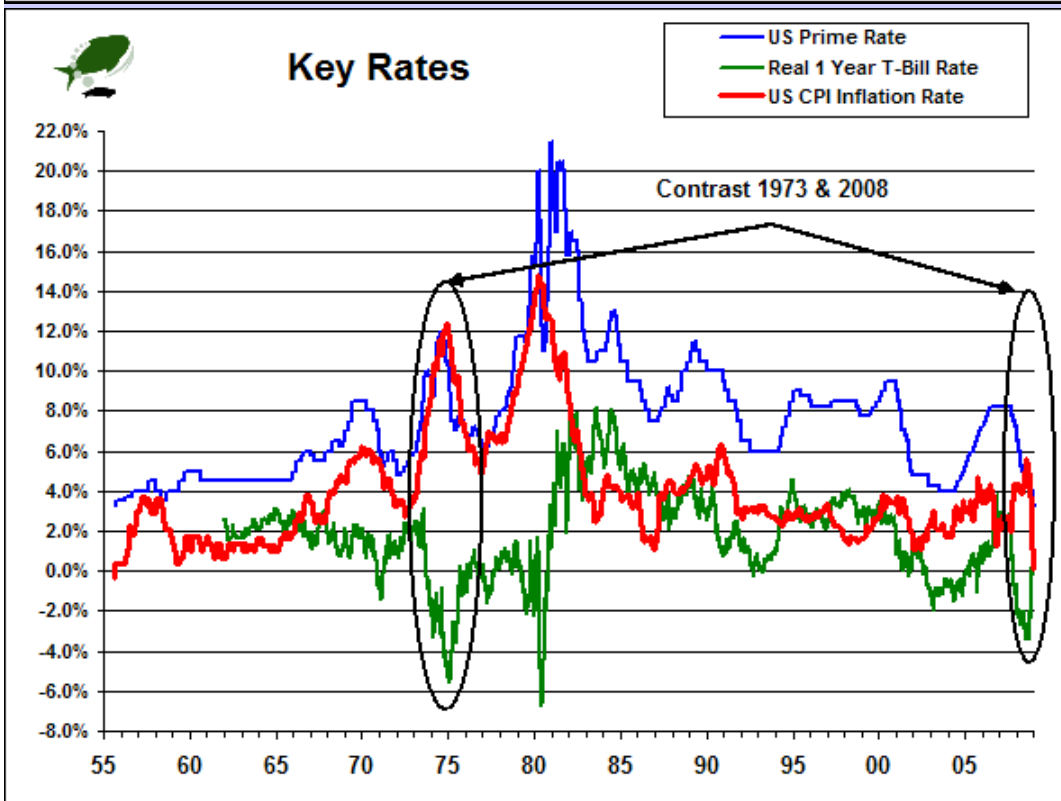
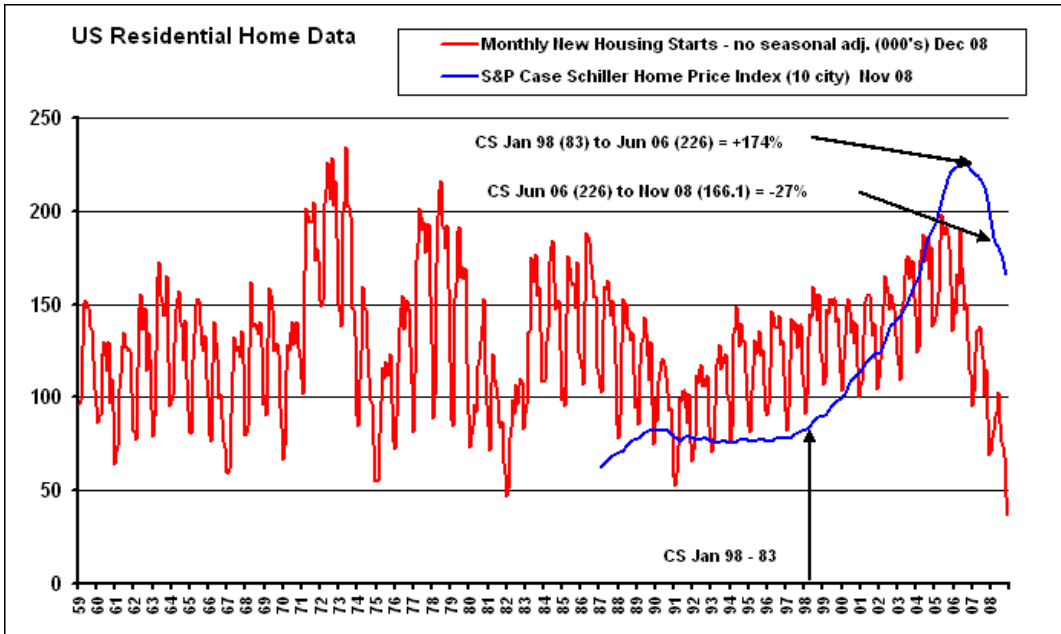
www.KaiserBottomFish.com



Perfect Storm of Cyclical Downturns

- Economic Cycle
- Commodity Cycle
- Market Cycle
- Sectoral Cycle
- Story Speculation Cycle
- Life Cycle
- Seasonal Cycle





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?

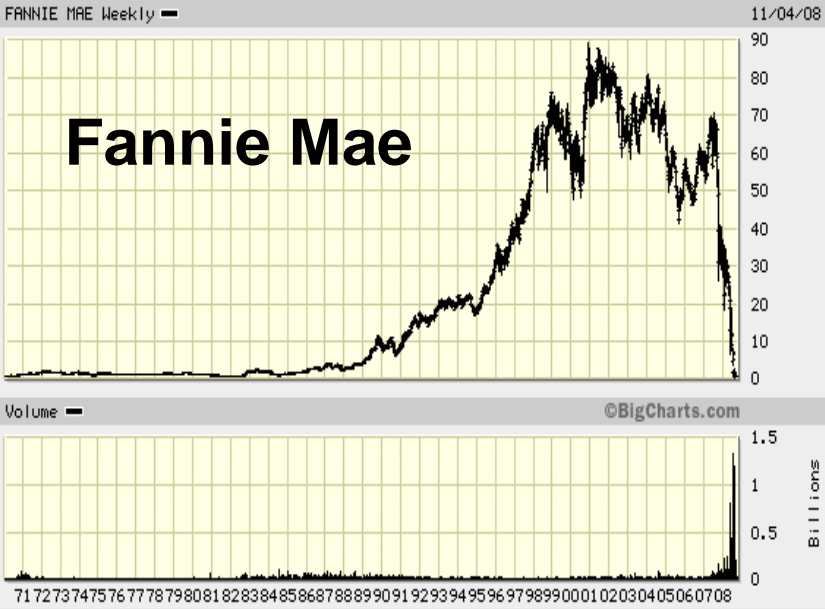
Rat Turd?



Rotten Nut?

A Nasty Bitter Thing?

Moldy Raisin?



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

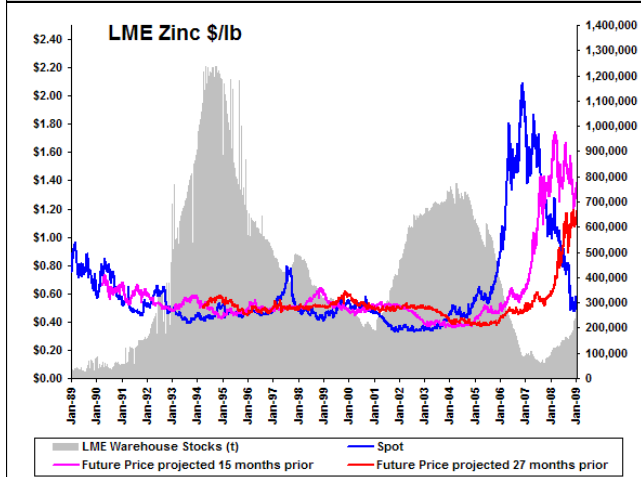
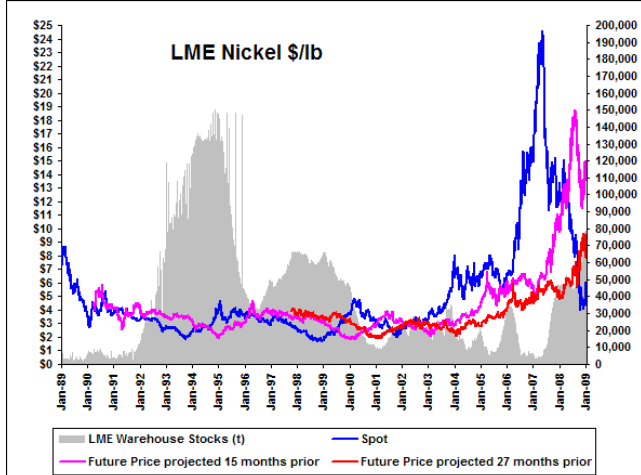
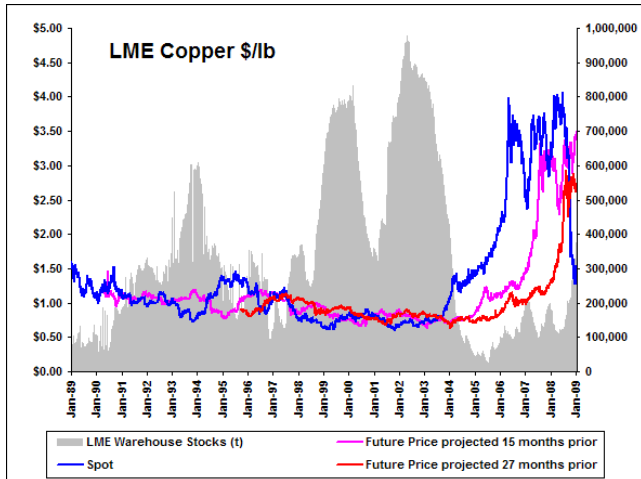
- **Financial industry has for decades told investors that they should invest for the long run in expectation of a reward in the form of capital gains**
- **This worked fine while the demographic bulge called the boomer generation was creatively productive during the prime of its life cycle**
- **The 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.**

Key Trends with Uncertain Timelines

- **Revenue producing companies will focus on establishing and maintaining a stable per share dividend payout, holding cash reserves to smooth out drops in profitability created by the business cycle**
- **Share buybacks to support the capital gains Ponzi scheme will be discouraged**
- **Companies will build revenues through investment of internal capital or through mergers and acquisitions using economic logic geared toward dividend yield stability, not stock price gains, and rely less on corporate debt.**
- **Established companies will have stable stock prices and will become targets for retiring boomers with income objectives**
- **Options will become a less important form of executive compensation, reducing the risk of short term decision making and fraudulent or opaque accounting**
- **Capital Gains expectations will shift to where they belong: high risk venture capital companies with zero or minimal revenues where the goal is to create new wealth, not expand existing wealth**
- **Mining producers, because they deal with depleting assets, and are not vulnerable to brand competition, will be particularly attractive**

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

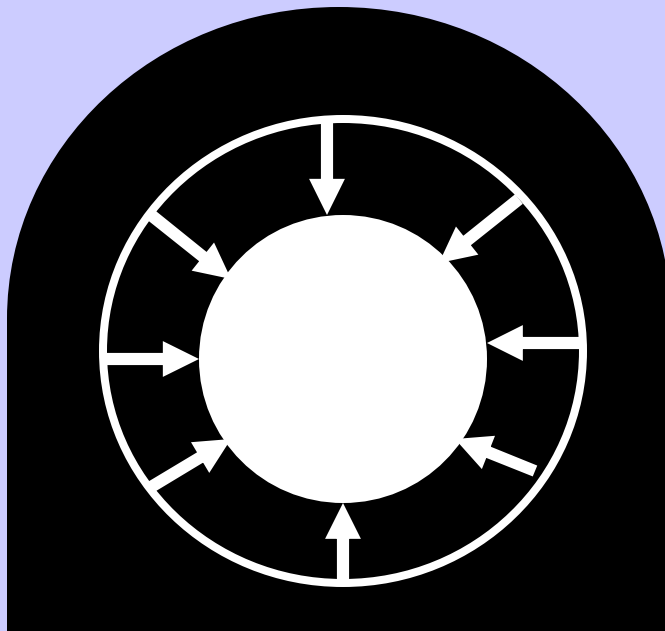
**Made in China and Packed with
Pride in America**



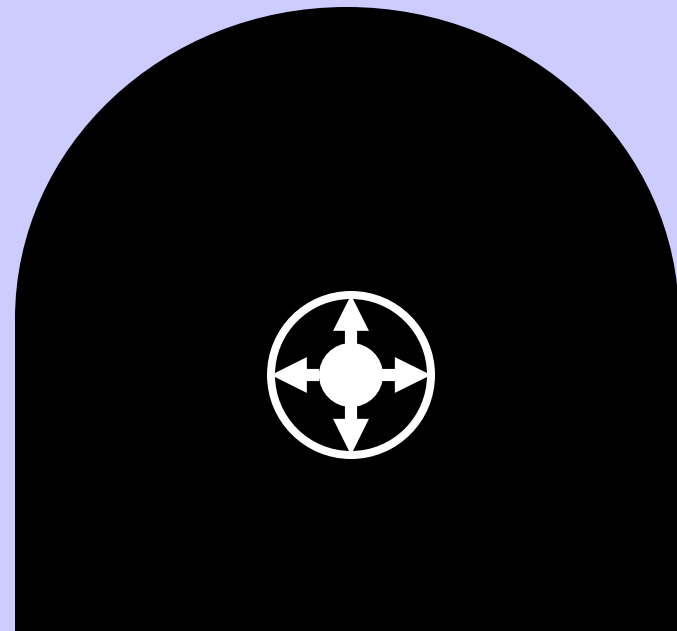
A Matter of Perspective

Is your standard of living shrinking or growing?

Is your footprint growing or shrinking?



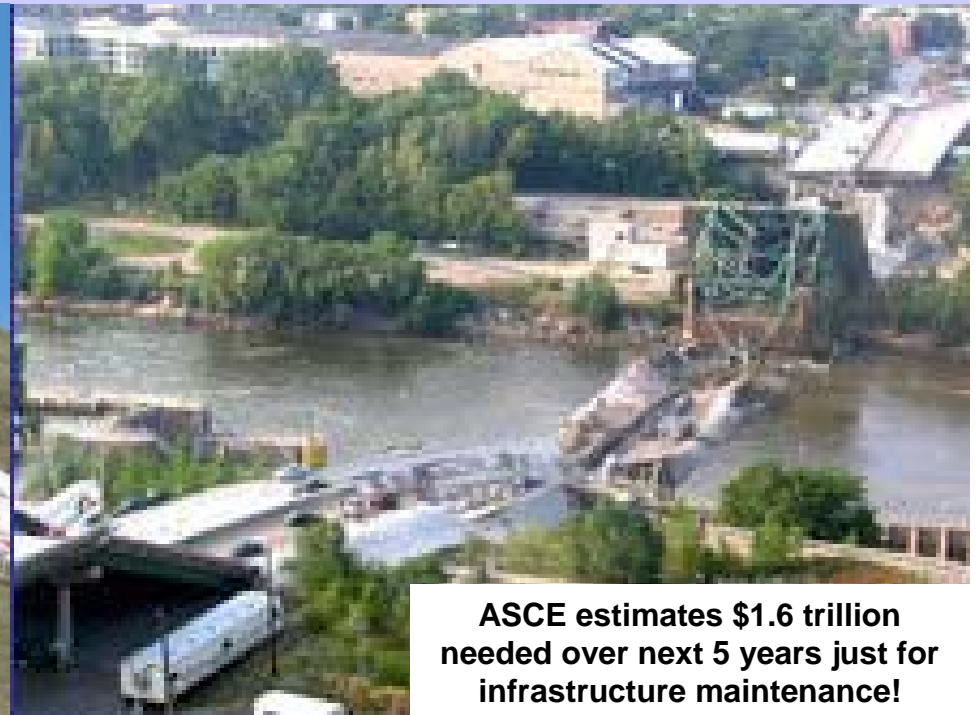
1 Billion OECD



3 Billion BRIC

Transformative Infrastructure Renewal

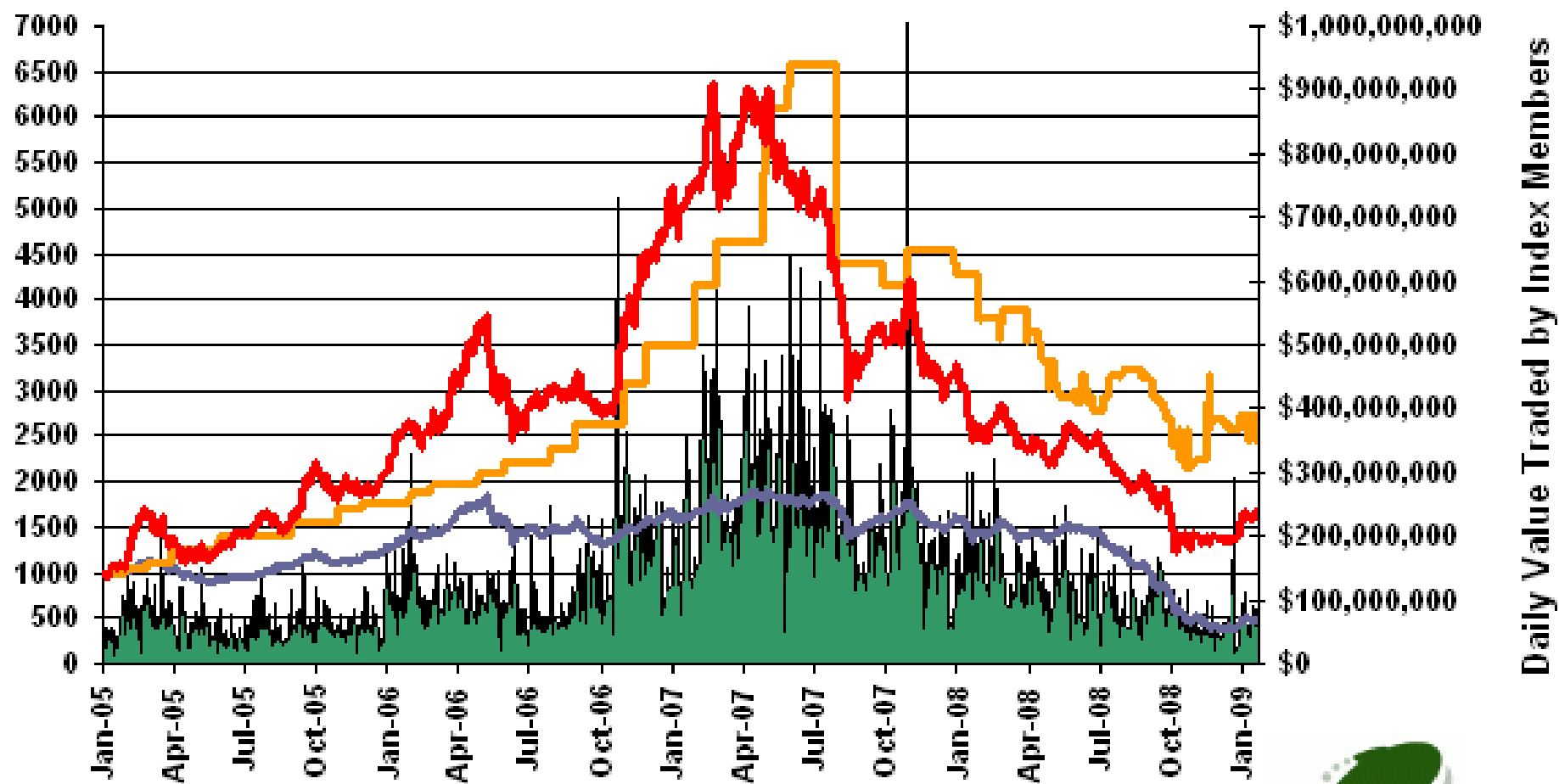
- Watch footprint consciousness driven by climate change and the environmental impact of the Rise of Asia change the way people consume, helped along by the end of consumer credit.
- Watch for a capital spending boom based on “transformative infrastructure renewal” in the US that keeps Americans busy while China transitions to a self-sustaining economy
- Watch the growing Silicon Valley venture capital boom in green technology
- 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 5 years ago
- Watch for a US foreign policy that reflects the end of American hegemony



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

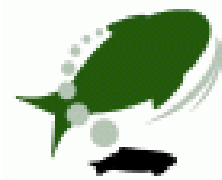
Uranium Pounds in the Ground Index

January 23, 2009



Daily Value Traded by Index Members

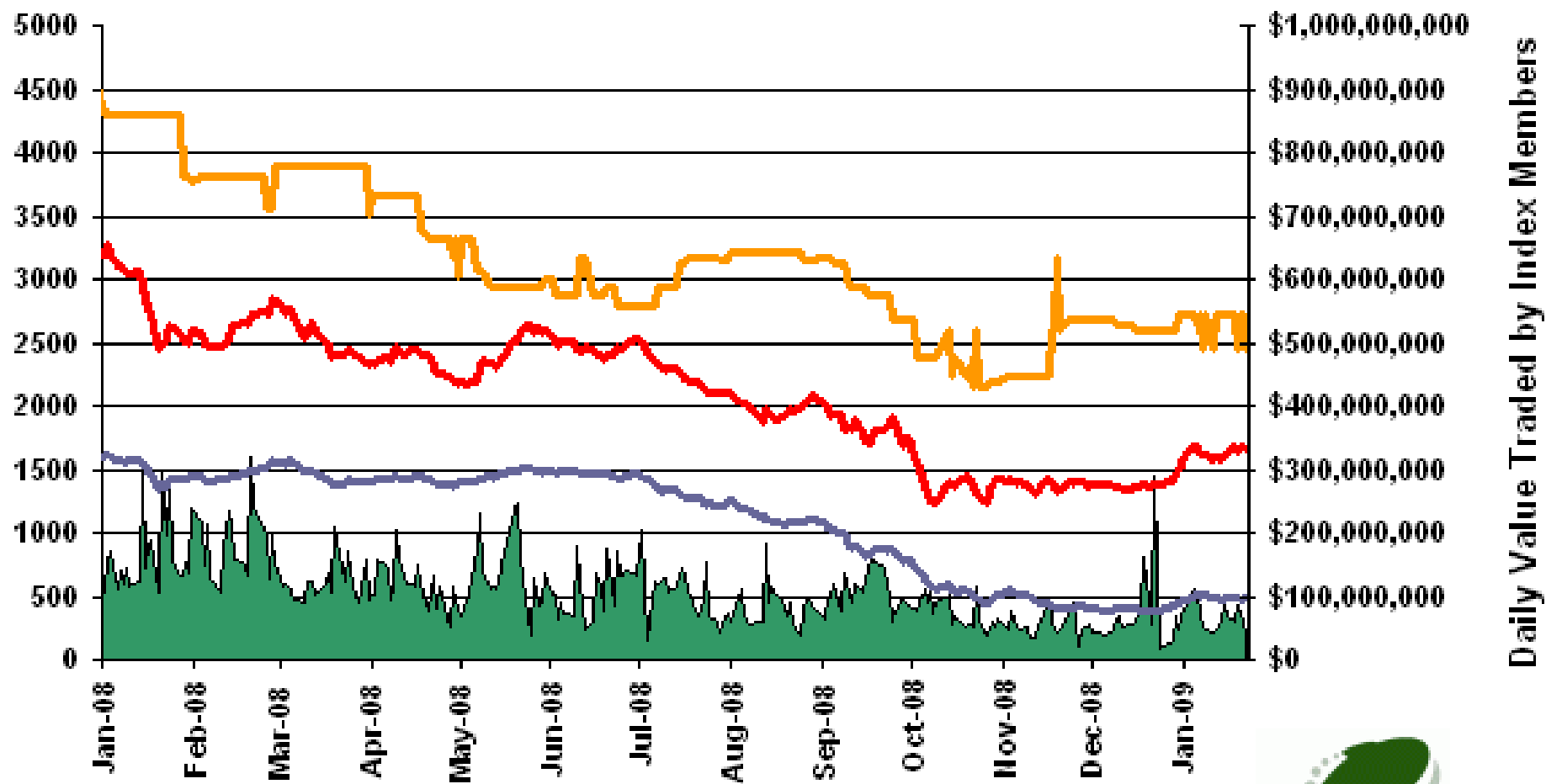
- Daily Value Traded by Index Members
- Uranium Pounds in the Ground Index - 1000 on Jan 4, 2005
- Uranium \$20.50/lb normalized to 1000 on Jan 4, 2005
- TSXV Index Normalized to 1000 on Jan 4, 2005



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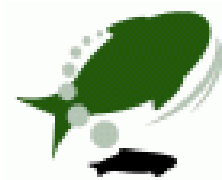
Uranium Pounds in the Ground Index

January 23, 2009



Daily Value Traded by Index Members

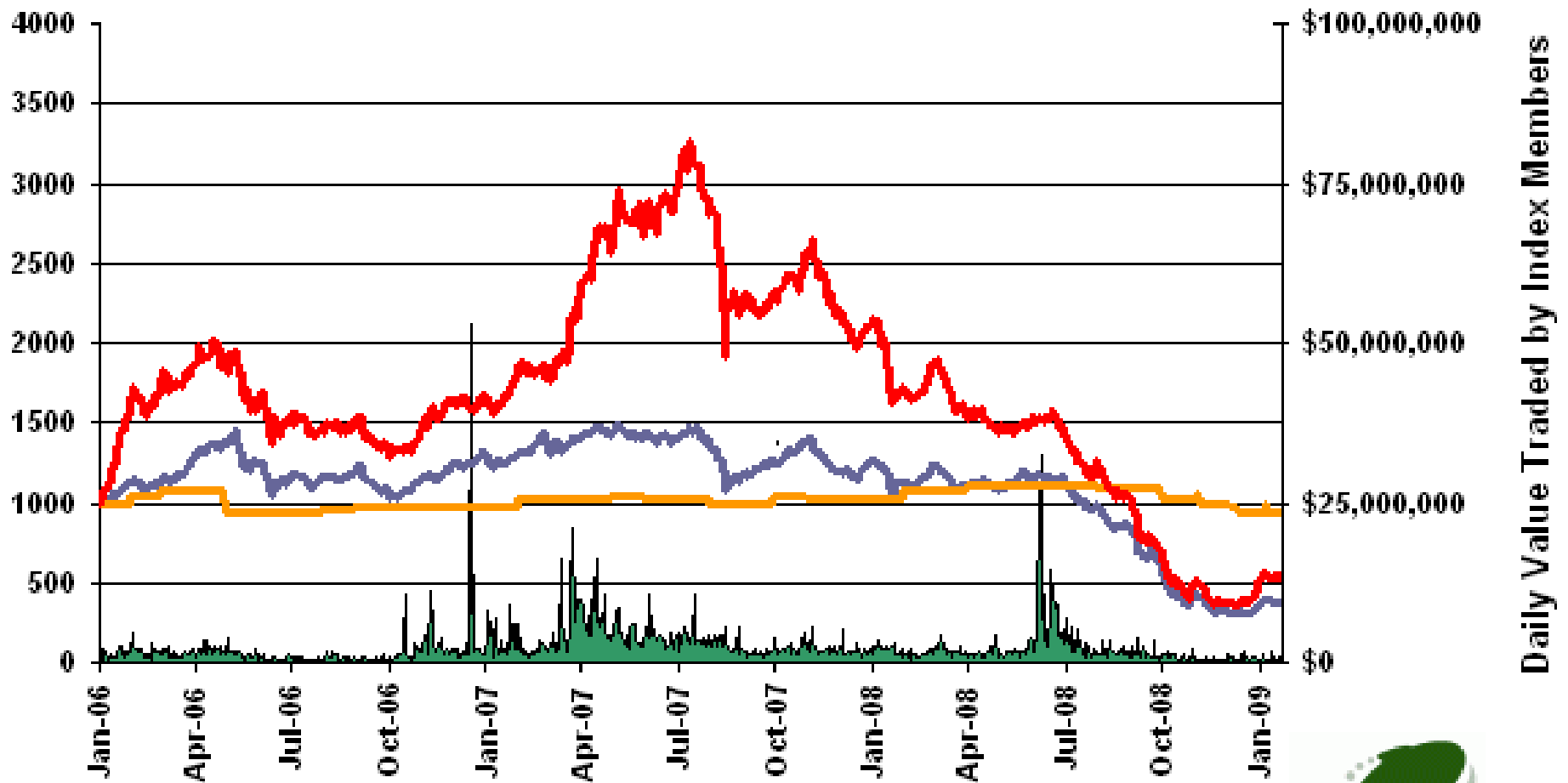
- Daily Value Traded by Index Members
- Uranium Pounds in the Ground Index - 1000 on Jan 4, 2005
- Uranium \$20.50/lb normalized to 1000 on Jan 4, 2005
- TSXV Index Normalized to 1000 on Jan 4, 2005



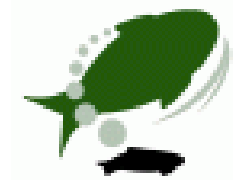
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Specialty Metals Index

January 23, 2009

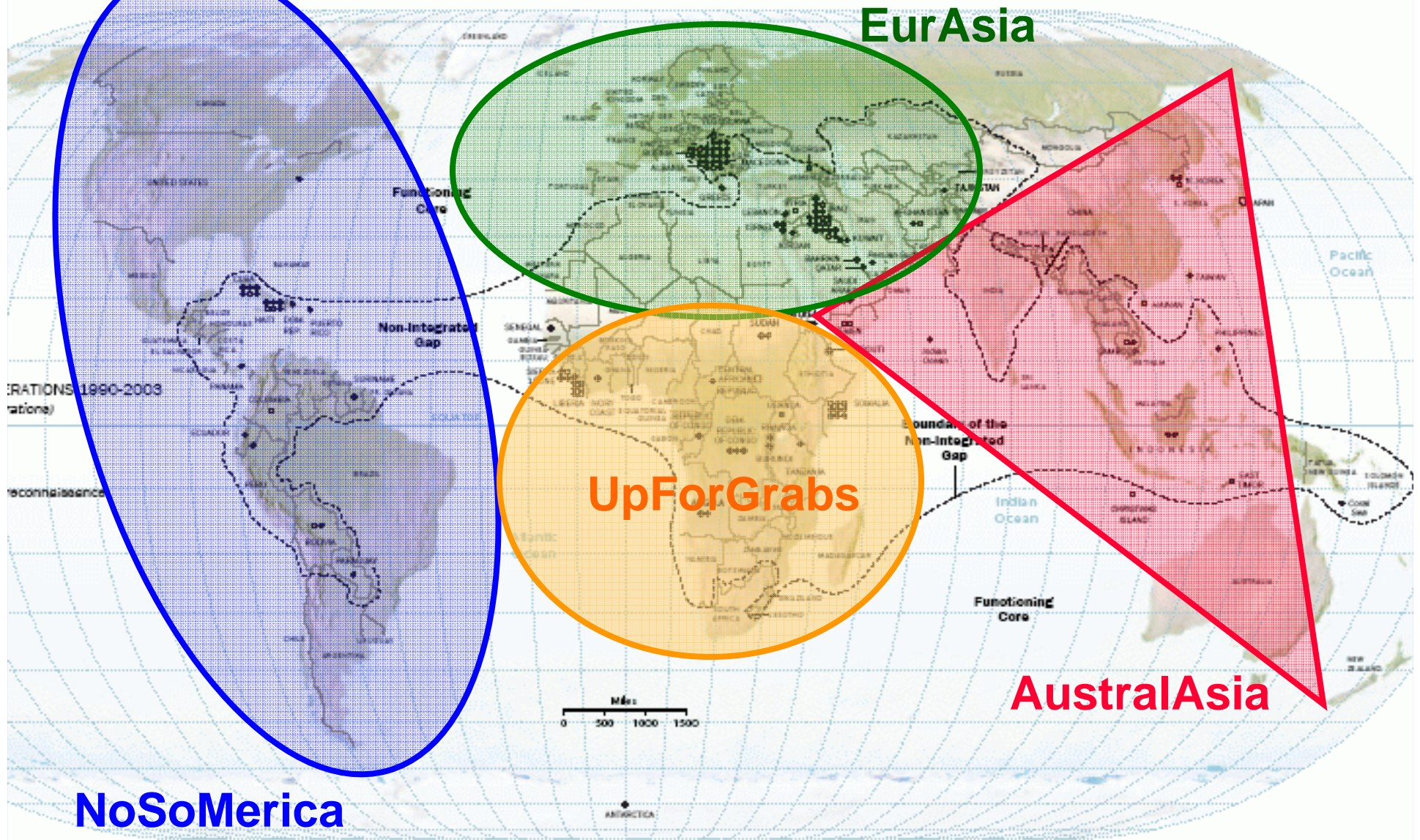


- Daily Value Traded by Index Members
- Specialty Metal Index - 1000 on Jan 3, 2006
- Tungsten \$17/lb normalized to 1000 on Jan 3, 2006
- TSXV Index Normalized to 1000 on Jan 3, 2006



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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

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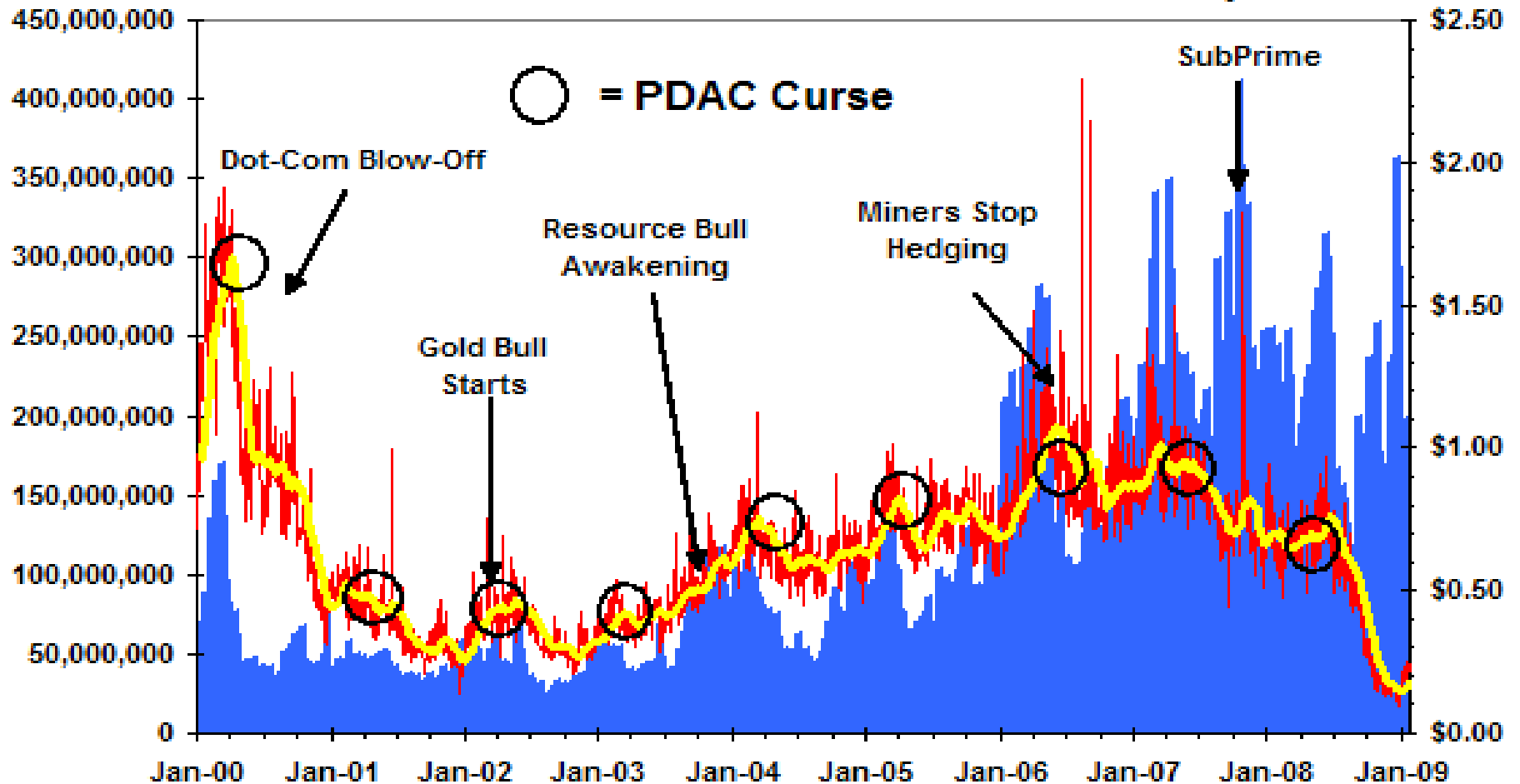
Market Cycle Downturn

Daily TSXV Volume and Average Trading Share Price



Volume — Average Share Price — 30 Day Average Price

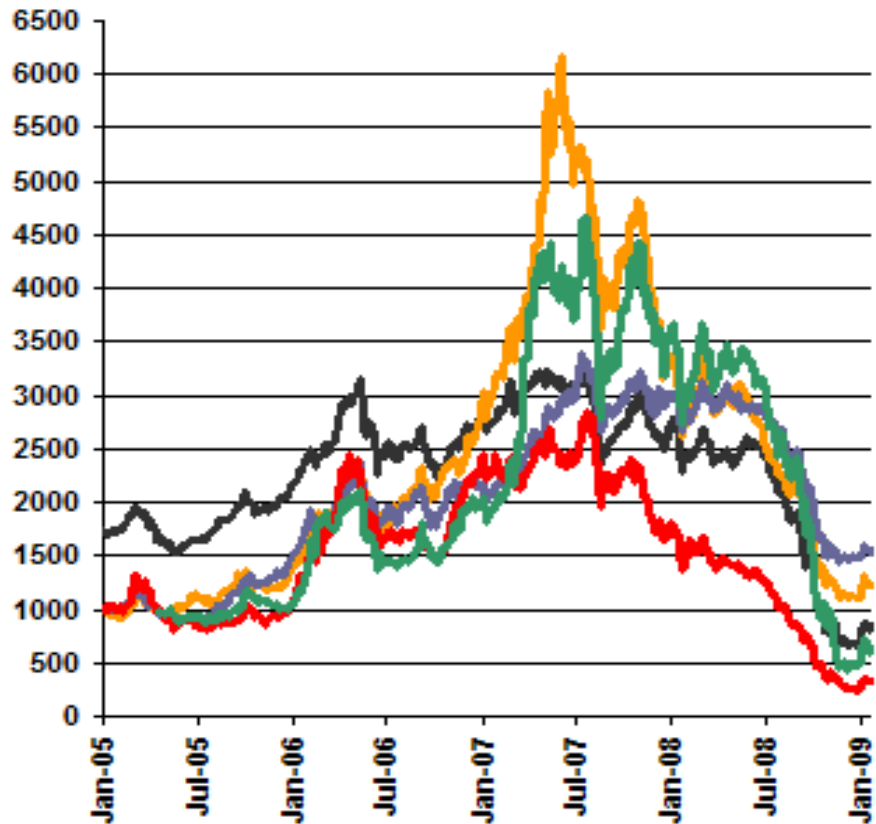
January 23, 2009



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

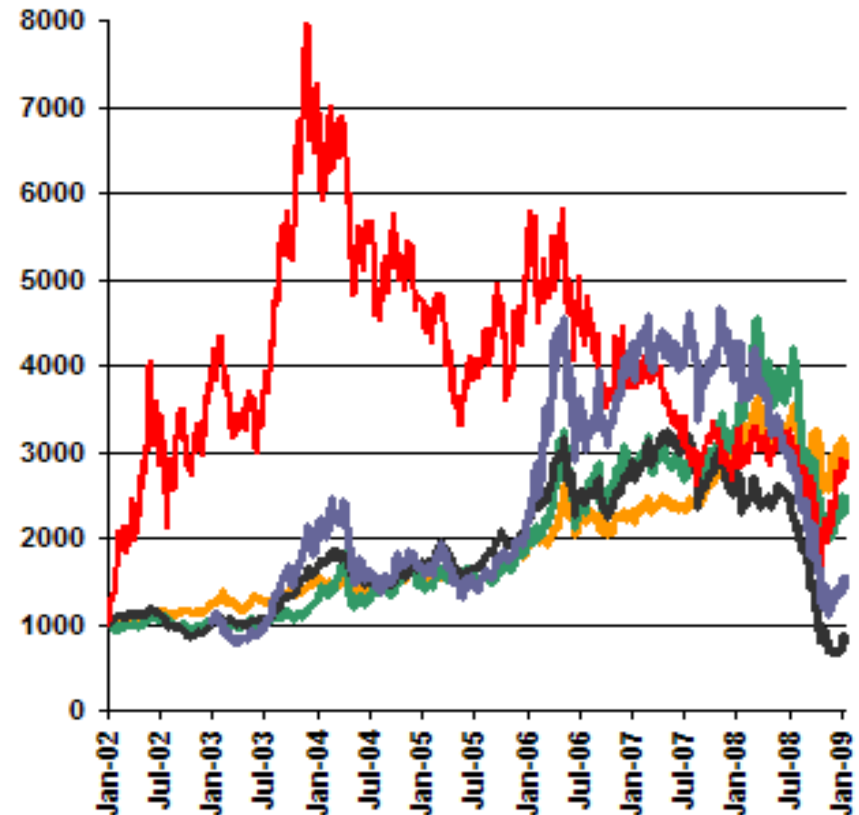
Sectoral Cycle Downturns

KBFO Base Metal Indices
January 21, 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 & Silver Indices
January 21, 2009



- Gold \$278/oz normalized to 1000 on Jan 2, 2002
- Silver \$4.59/oz normalized to 1000 on Jan 2, 2002
- TSXV Index 1043 normalized to 1000 on Jan 2, 2002
- KBFO Intermediate Gold Producer Index
- KBFO Silver Index

2 Types of Resource Sector Story Speculation Cycles

Commodity Speculation

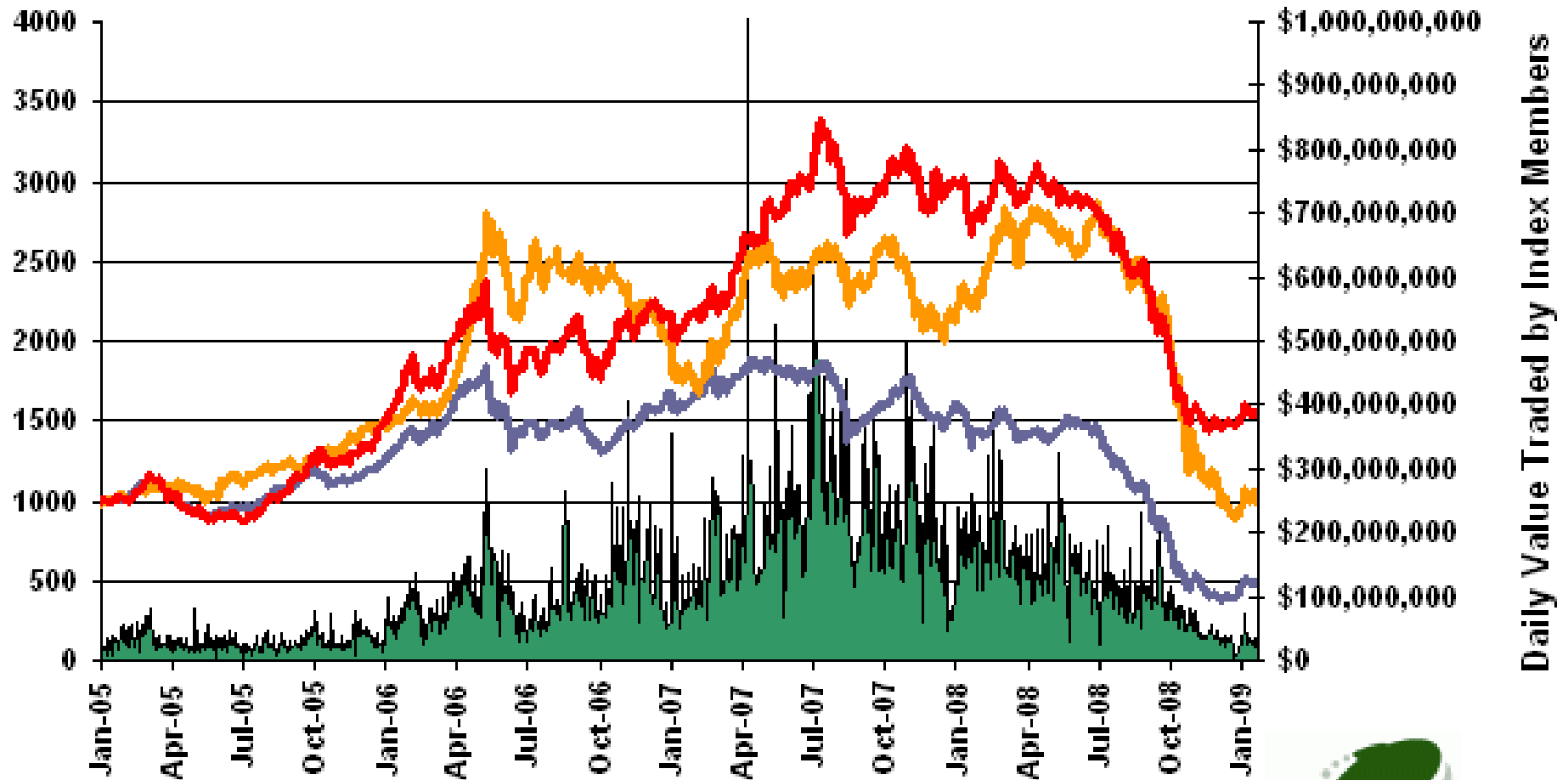
- Resource Estimates - Ounces & Pounds in the Ground
- Focused on development portion of exploration cycle: infill drilling, metallurgy, prefeasibility, feasibility/permitting, construction
- Vulnerable to geopolitical risk and commodity price volatility
- Valuation based on DCF Method & Peer Group Comparison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

Intermediate Copper Index

January 23, 2009



Daily Value Traded by Index Members

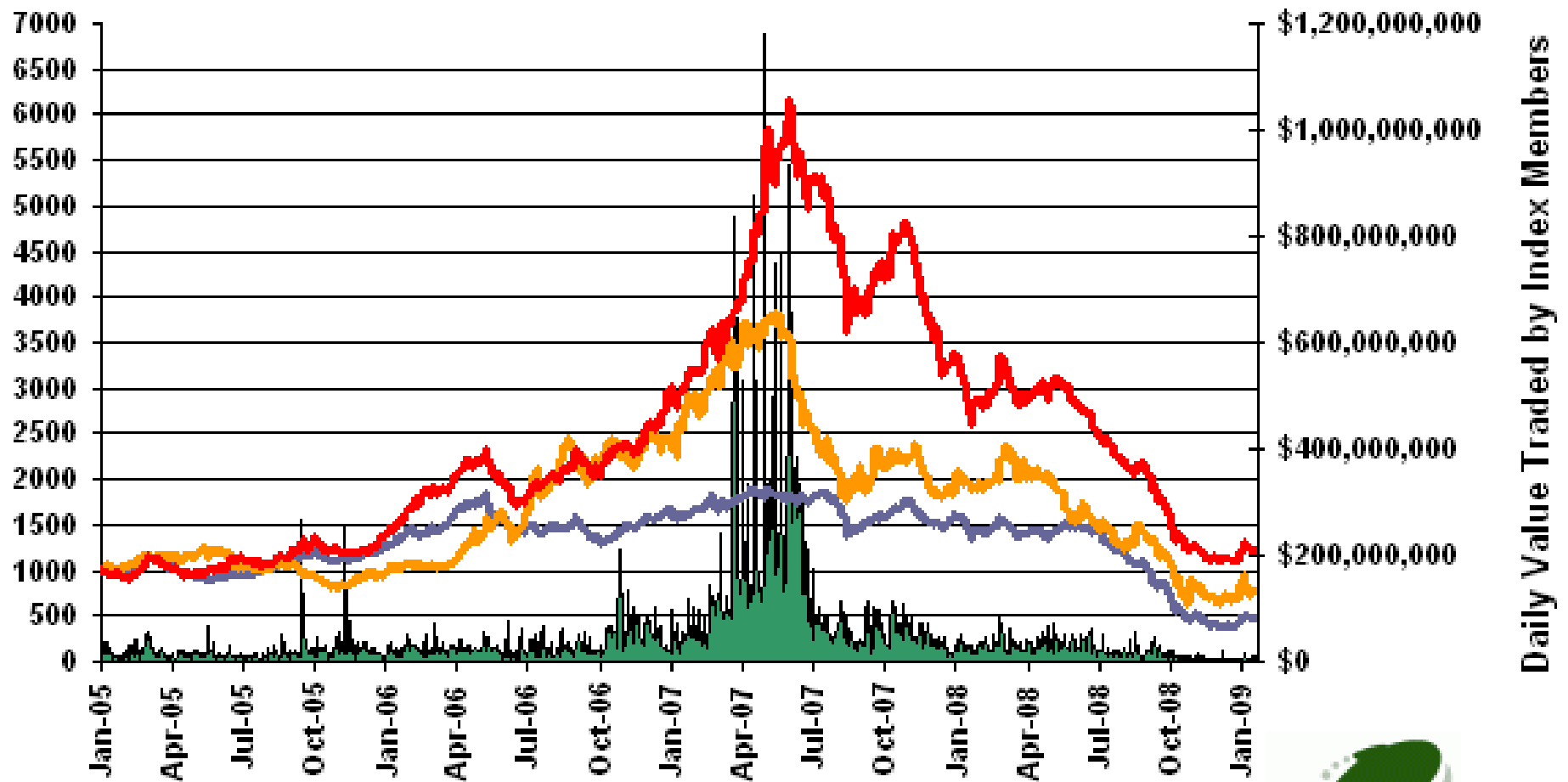
- Daily Value Traded by Index Members
- Intermediate Copper Index - 1000 on January 4, 2005
- Copper \$1.42/lb normalized to 1000 on Jan 4, 2005
- TSXV Index Normalized to 1000 on Jan 4, 2005



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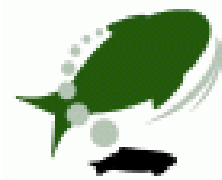
Junior Nickel Index

January 23, 2009



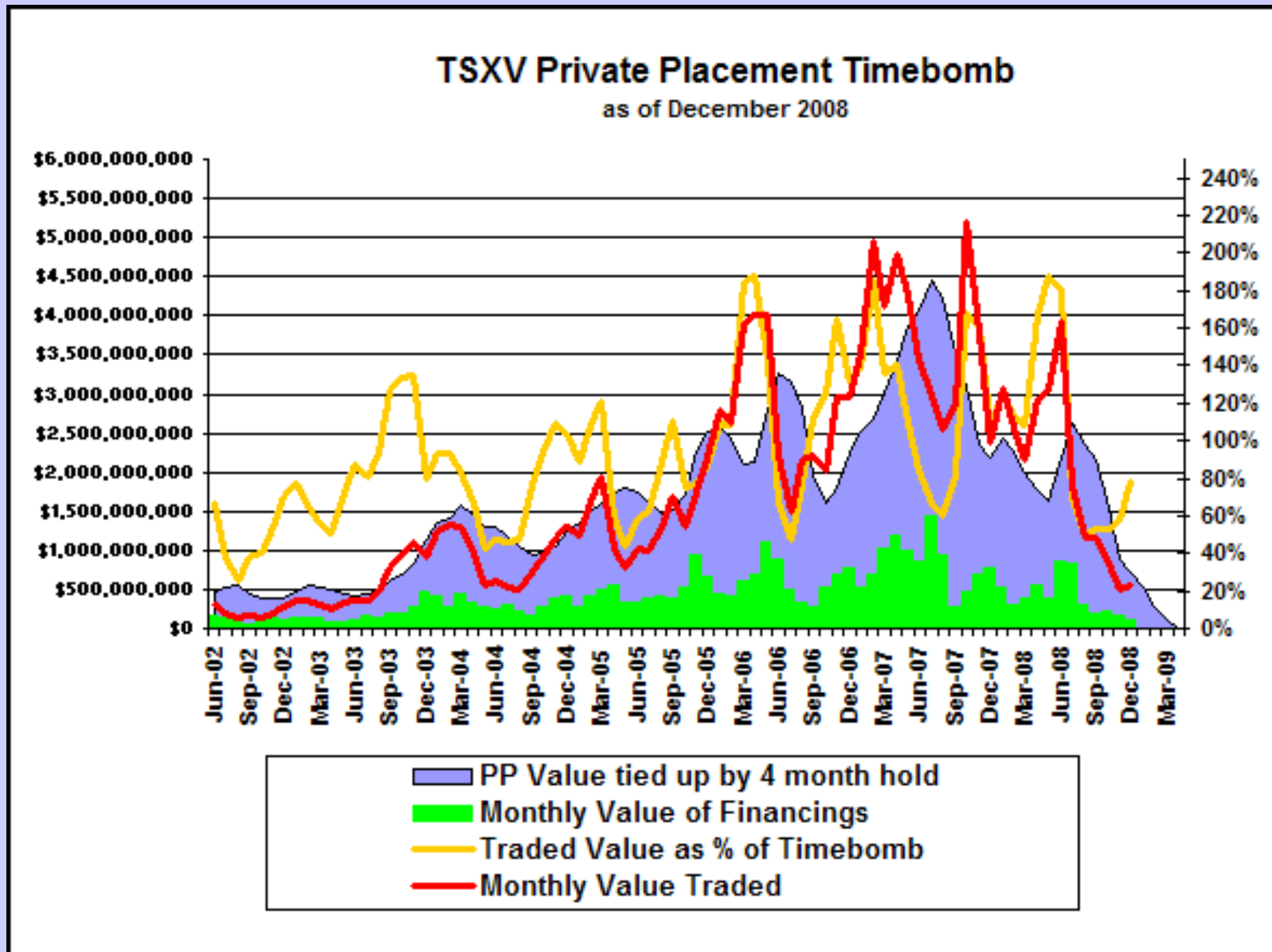
Daily Value Traded by Index Members

- 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



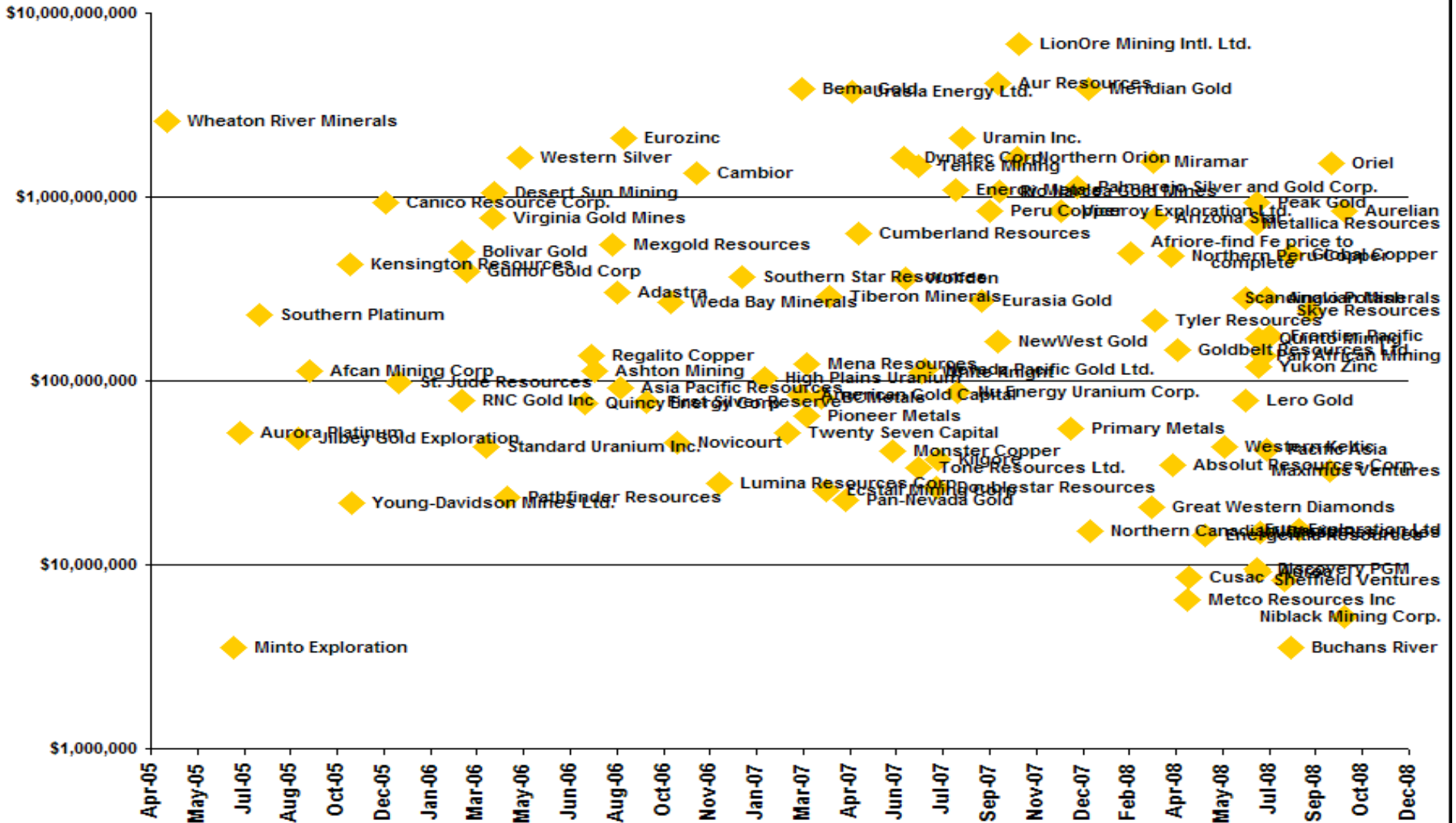
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Life Cycle Funding Downturn



Company Life Cycles – the preferred end

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

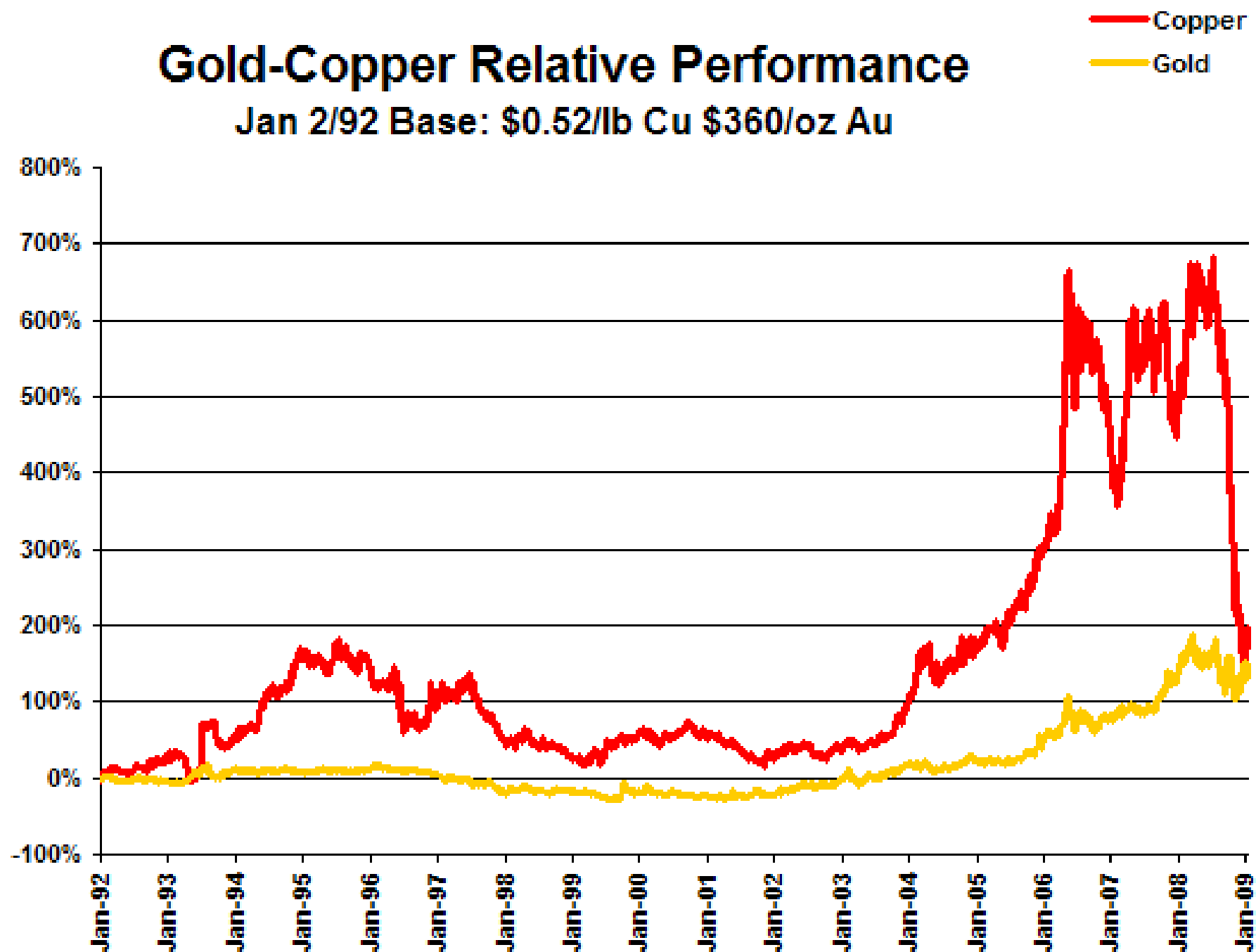


The 2003-2008 Market Cycle
Racing Ounces & Pounds in the Ground toward Production –
closely linked to the Commodity Cycle

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	

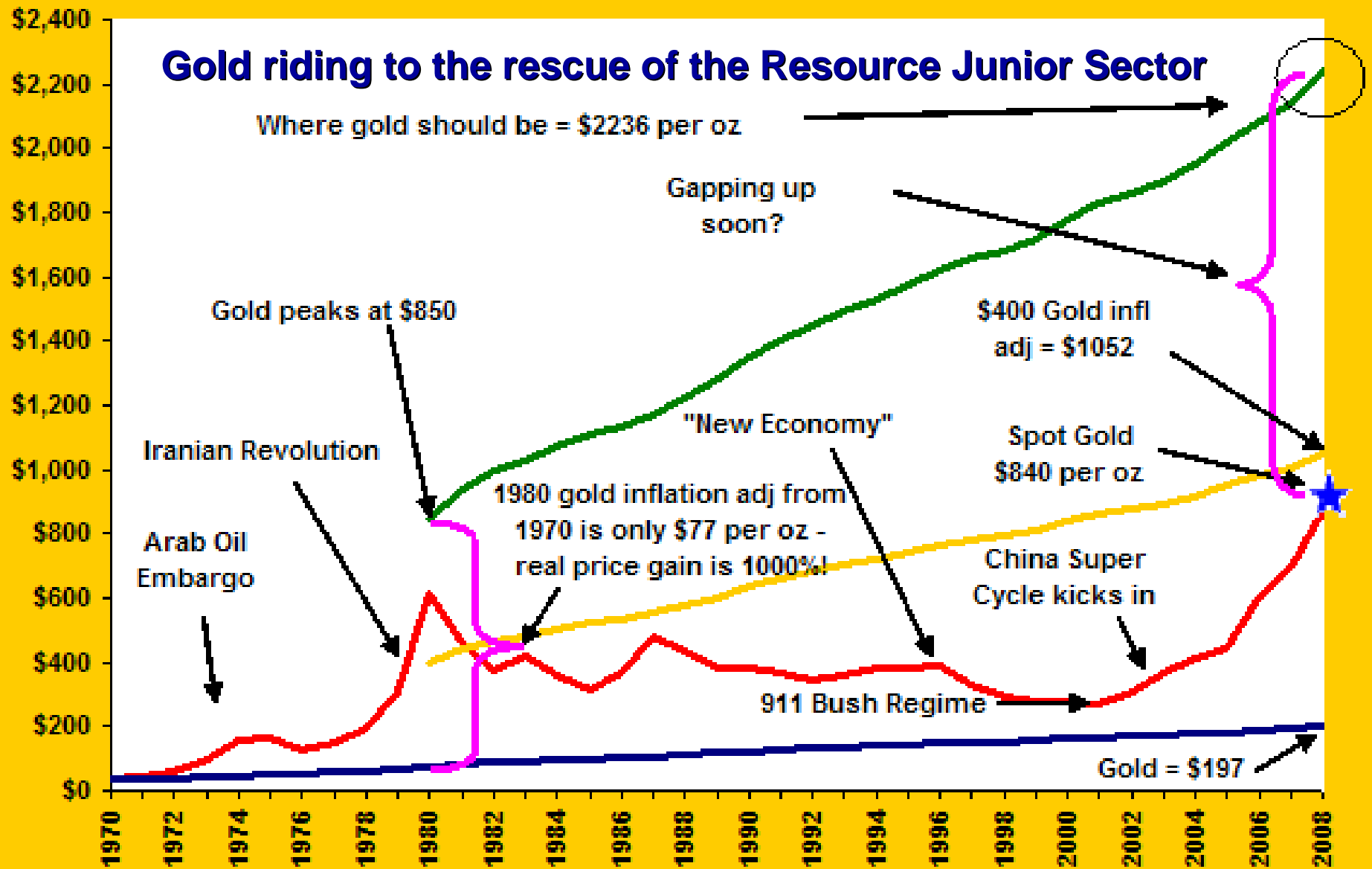
Gold-Copper Relative Performance

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



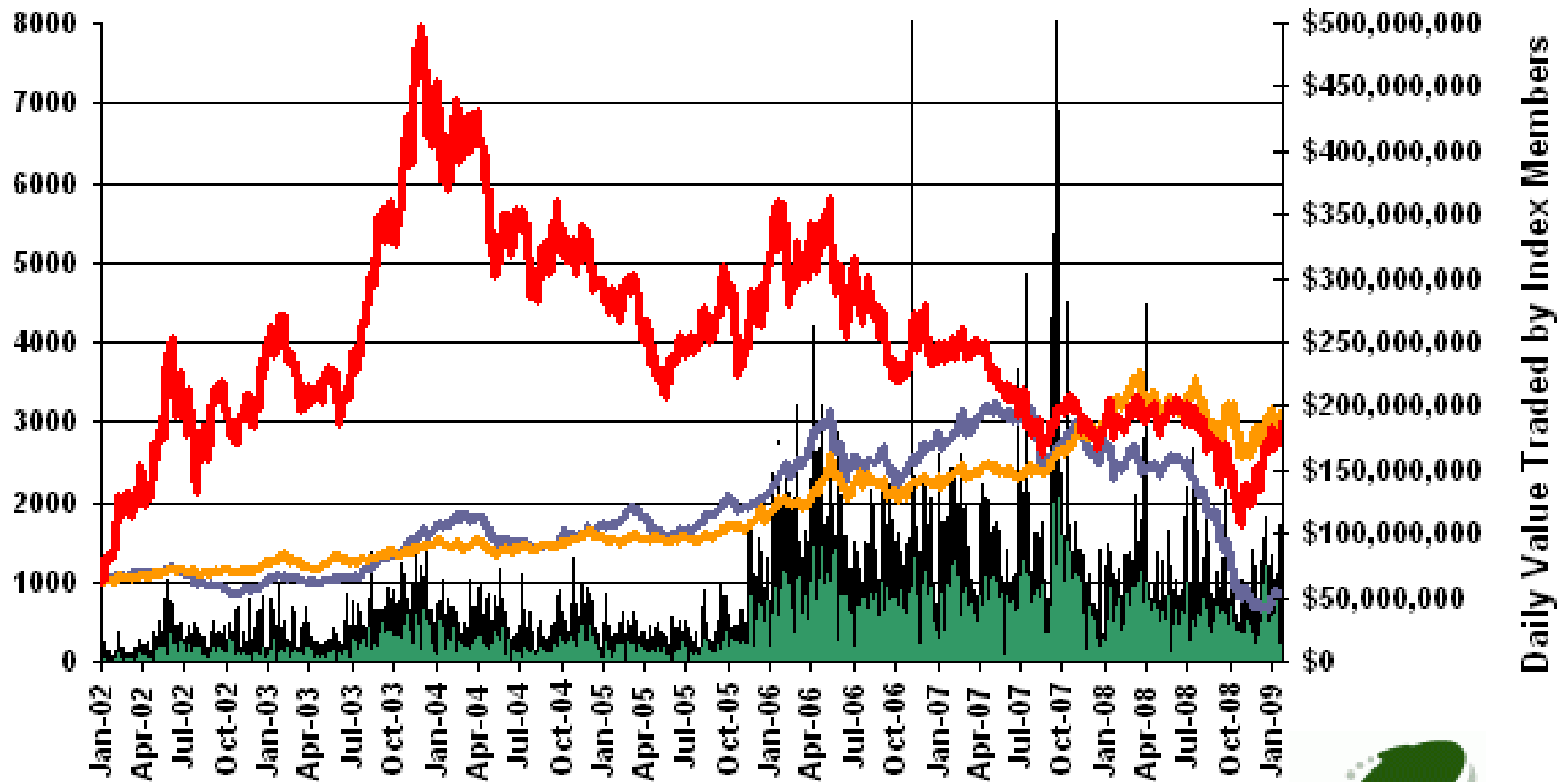
Gold in Perspective

- 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

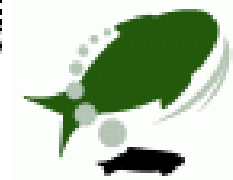


Intermediate Gold Producer Index

January 23, 2009



- Daily Value Traded by Index Members
- Intermediate Gold Producer Index - 1000 on Jan 2, 2002
- Gold \$278 normalized to 1000 on Jan 2, 2002
- TSXV Index Normalized to 1000 on Jan 2, 2002

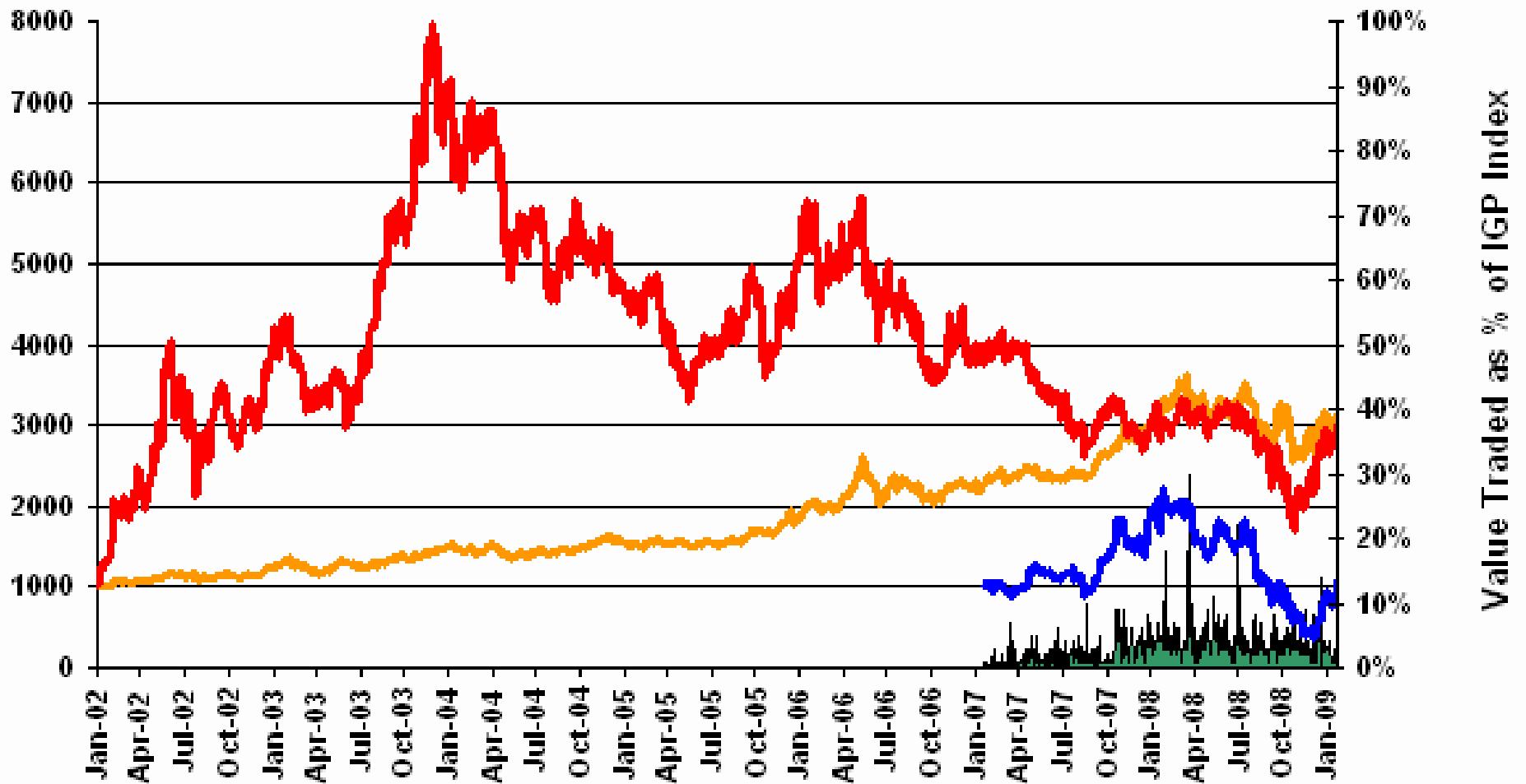


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Intermediate Gold Producer Index

January 23, 2009

Jaguar Mining Inc (JAG-T)



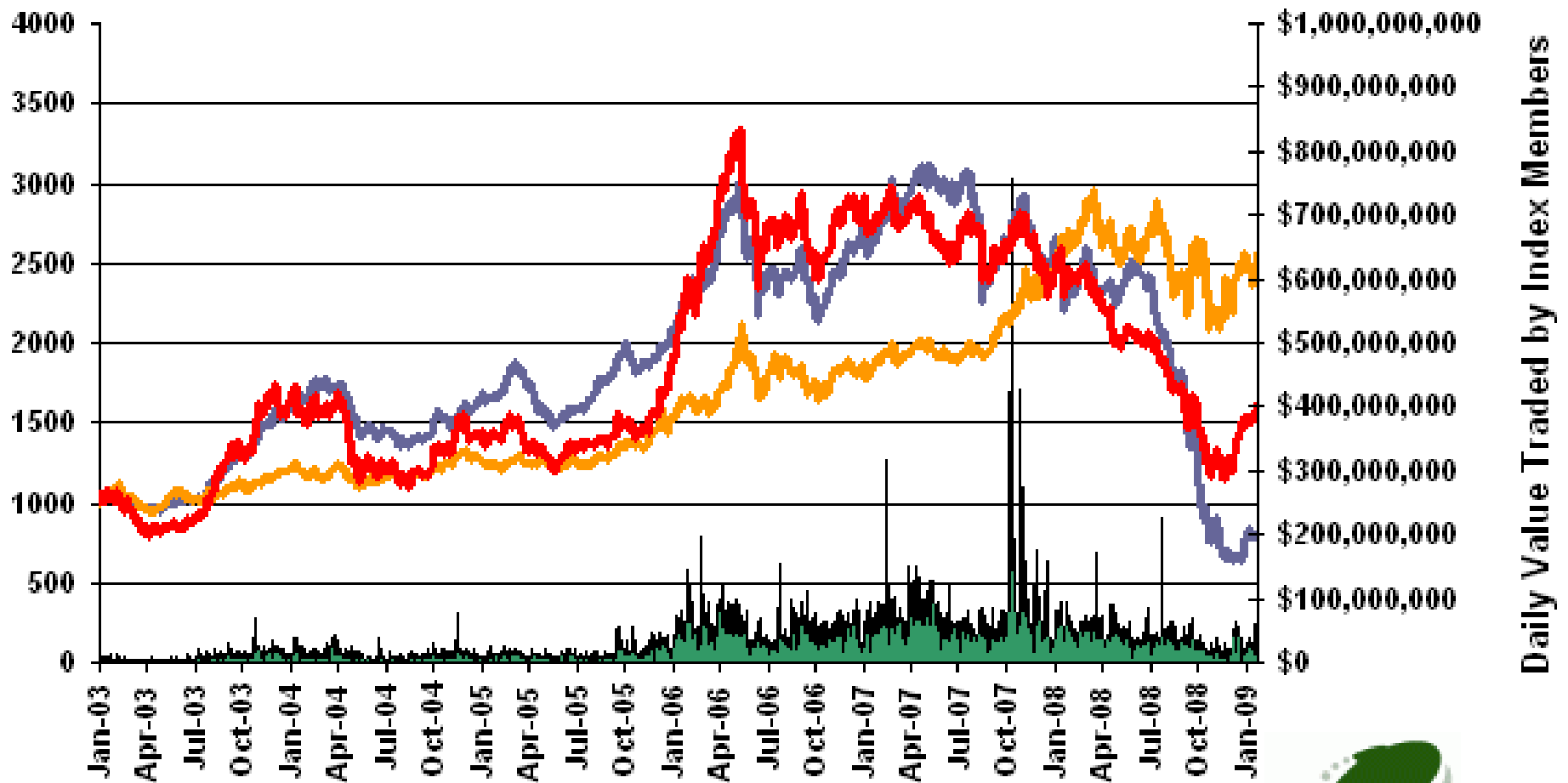
-  Jaguar Mining Value Traded as % of IGP Index Traded Value
-  Jaguar Mining Normalized to 1000 on Jan 18, 2007
-  Intermediate Gold Producer Index - 1000 on Jan 2, 2002
-  Gold \$278 normalized to 1000 on Jan 2, 2002



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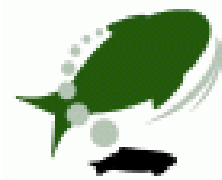
Major Non-Producer Gold Index

January 23, 2009



Daily Value Traded by Index Members

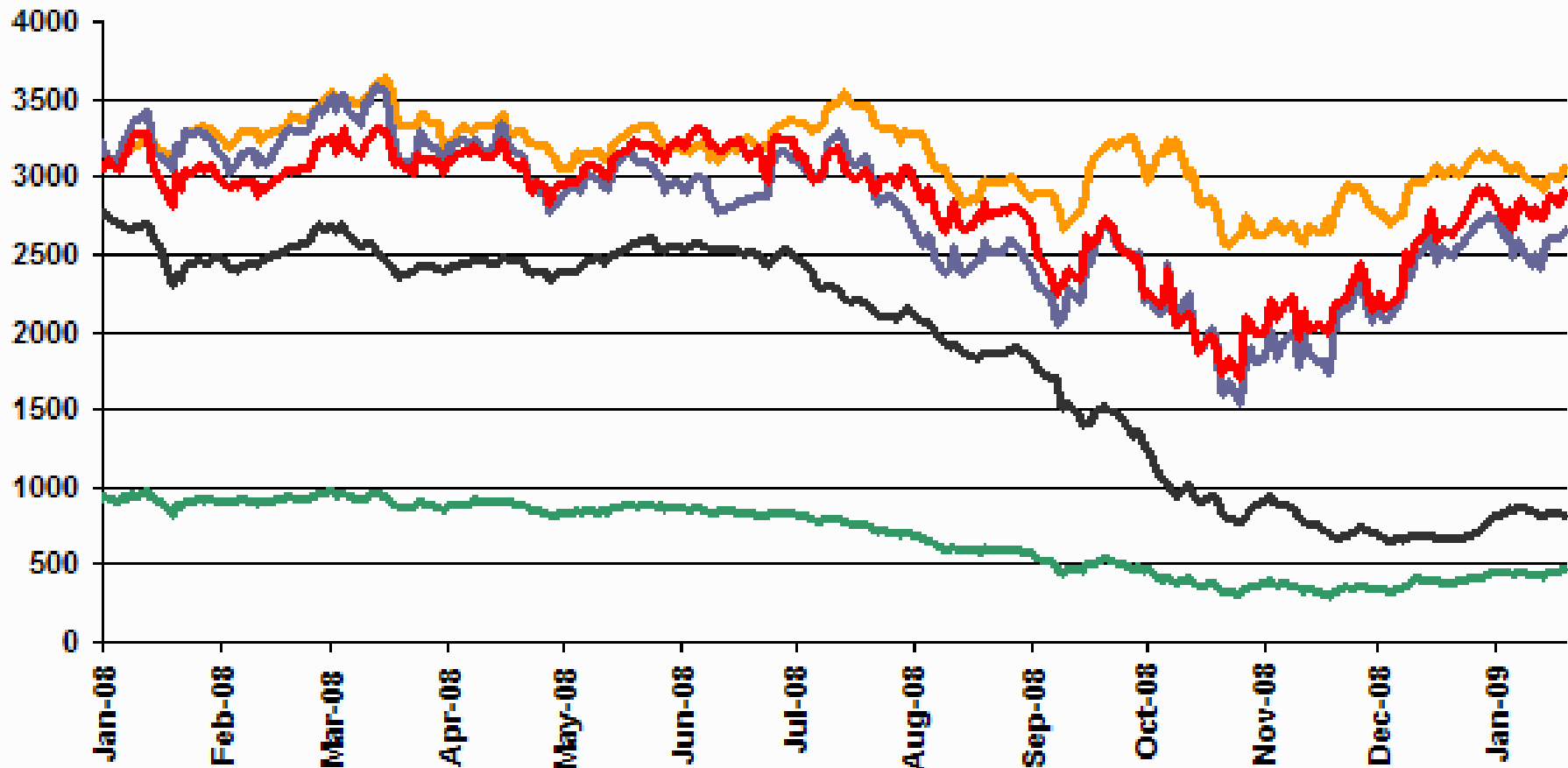
- Daily Value Traded by Index Members
- Major Non-Producer Gold Index - 1000 on Jan 2, 2003
- Gold \$342/oz normalized to 1000 on Jan 2, 2003
- TSXV Index Normalized to 1000 on Jan 2, 2003



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KBFO Gold Producer Indices

January 21, 2009



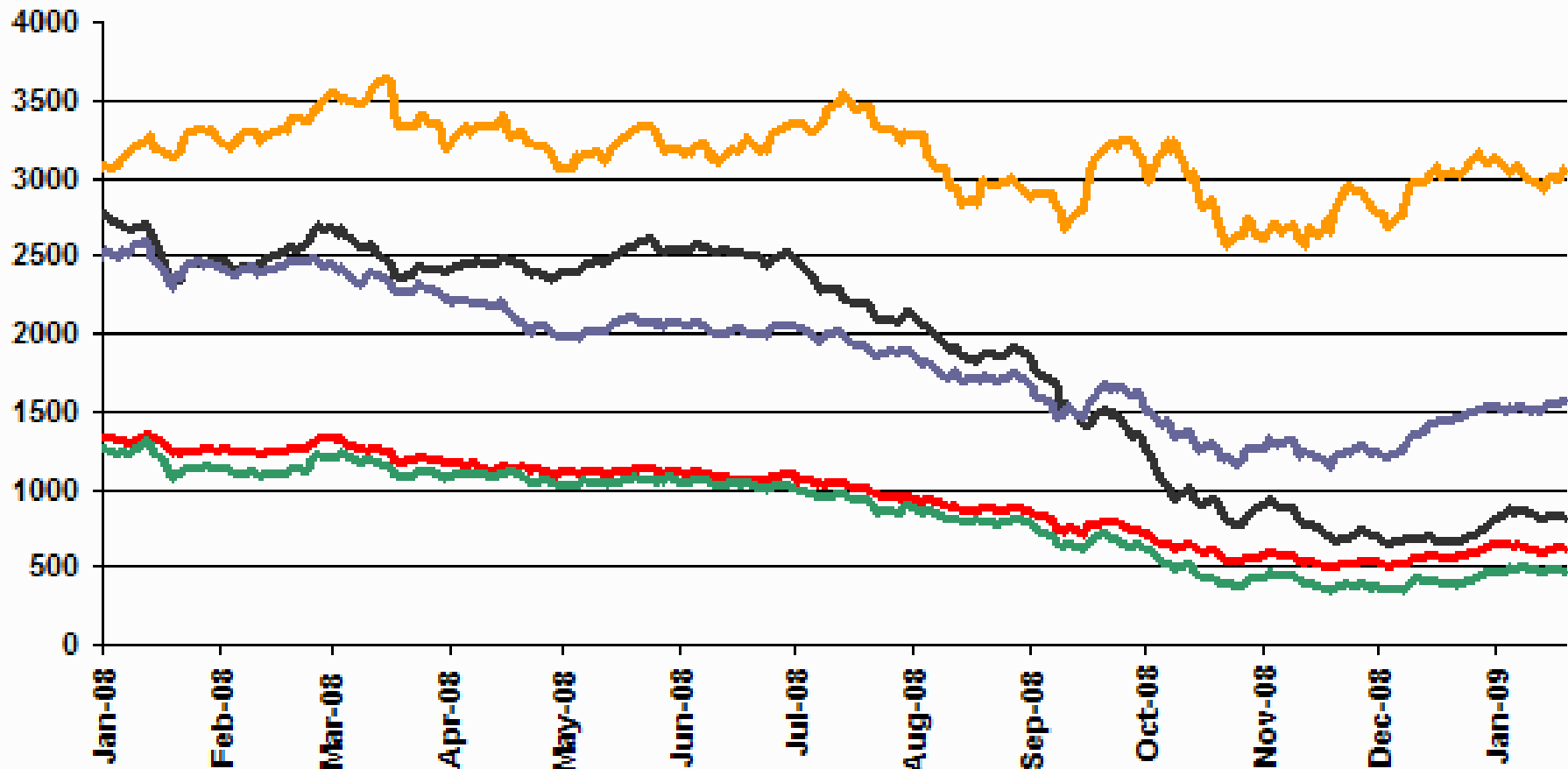
- Gold \$278/oz normalized to 1000 on Jan 2, 2002
- TSXV Index 1043 normalized to 1000 on Jan 2, 2002
- KBFO Major Gold Producer Index
- KBFO Intermediate Gold Producer Index
- KBFO Junior Gold Producer Index



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KBFO Gold Non-Producer Indices

January 21, 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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Tax Free Savings Accounts - TFSA

- **Who can open them: Canadian residents aged 19 and up**
- **\$5,000 annual contribution limit, adjusted for inflation though rounded to nearest \$500 (ie to increase in 2010, inflation for 2009 would have to be 10% or higher)**
- **Annual contribution allowance accumulates if not used in a year so that it can be used in a later year (ie if no \$5,000 contribution in 2009, then can contribute \$10,000 in 2010)**
- **No taxes on any capital gains, interest or dividends made inside a TFSA**
- **Can withdraw any amount any time with no tax consequences**
- **Can recontribute any withdrawn amount or portion thereof in a subsequent year, in addition to that subsequent year's annual \$5,000 contribution allowance**
- **Can contribute securities from non-registered accounts for fair market value**
- **Can swap cash and/or securities at fair market value between TFSA and other accounts of the owner, including RRSP's, without such transaction counting as a contribution or withdrawal**

Drawbacks of TFSA

- **Contributions of securities or swaps at fair market value trigger capital gains in the non-TFSA account, but capital losses are not allowed (same as RRSP contributions).**
- **\$5,000 initial contribution allowance is inconsequential for serious investors**

Interesting Implications of TFSA

- **Smaller investors could treat their TFSA as the the high risk speculative portion of their investment strategy. The \$5,000 annual contribution limits the amount one can lose from buying stocks with 90% downside risk and 1,000% upside potential. Perfect for a bottom-fishing strategy of buying 5 spec stocks at \$1,000 each annually.**
- **Private placements done inside a TFSA once it is big enough will be very lucrative.**
- **Flow-through private placements done inside a TFSA will be extremely lucrative if allowed, because the resulting zero cost base will have no capital gains consequences when the owner sells.**

An interesting wrinkle involving self-directed TFSA and RRSP accounts

- **Swaps between TFSA and RRSP accounts at fair market value appear to have no tax consequences nor count as withdrawals or contribution.**
- **Many investors have substantial savings in their RRSP account which will be taxable at their marginal rate when withdrawn at retirement.**
- **The fair market value of a security position for the purpose of contribution or swap is deemed to be the prior day's closing price.**
- **Accumulate good bottom-fish positions inside the TFSA at the bid side of the spread, and when the stock appreciates, swap the position into the RRSP at the closing price in exchange for cash in the RRSP.**
- **Continue to manage the bottom-fish swapped into the RRSP as a longer term speculation strategy, and use the cash in the TFSA to accumulate other bottom-fish at the bid side of the spread.**
- **Repeat the TFSA stock for RRSP cash swap when the new position trades at a higher price.**
- **In effect, use your TFSA for short term gains and your RRSP for long term gains!**

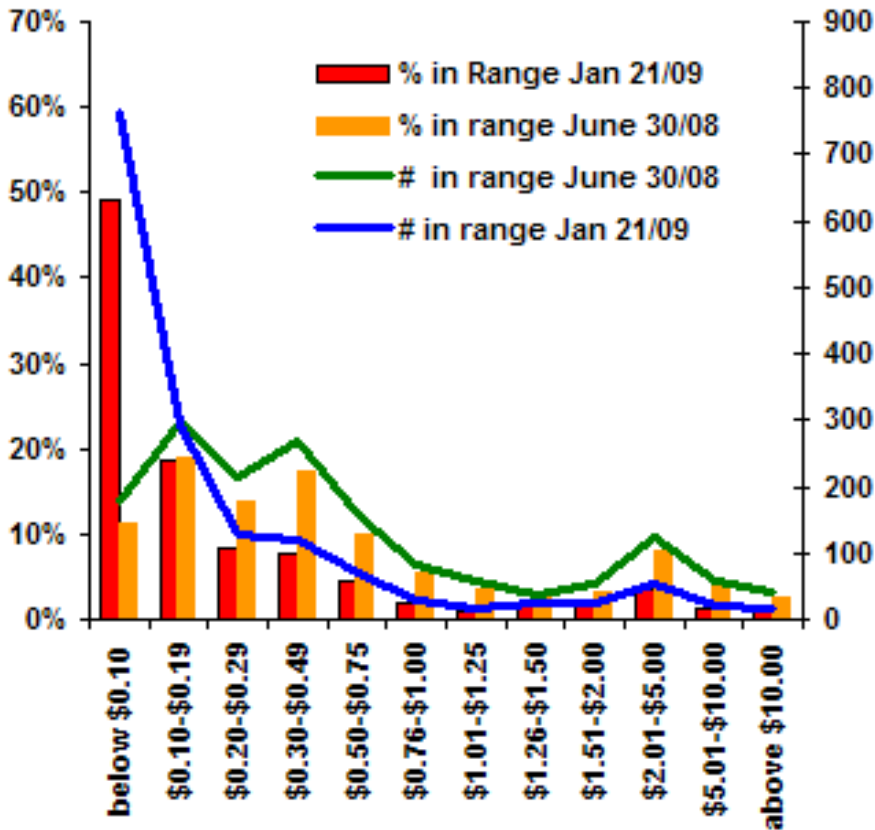
Thanks to the catastrophic collapse of resource juniors which has made stocks available to non-insiders at valuations historically reserved for insiders and their president's list, coupled with high market volatility, a shrewd & alert bottom-fisher with a self-directed TFSA and RRSP at a competent brokerage that can execute same day TFSA-RRSP swap instructions, can quickly build up the cash value of their TFSA during 2009.



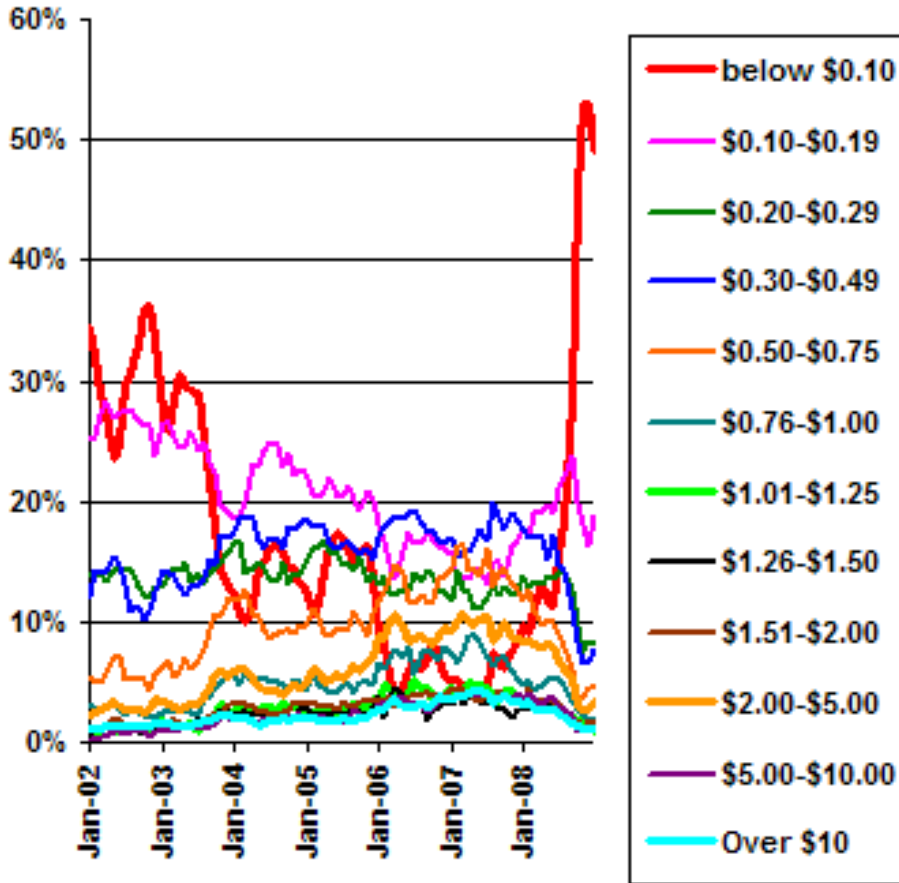
Depth By Price					
Bid			Ask		
Orders	Volume	Price	Price	Volume	Orders
2	55,000	0.06	0.075	37,000	1
1	8,000	0.055	0.09	20,000	2
1	30,000	0.045	0.12	13,000	1
2	45,000	0.03	0.14	40,000	1
1	5,000	0.025	0.15	15,000	2

Bottom-Fishing Heaven?

KBFO Price Range Distribution
1,560 companies as of January 21, 2009



KBFO Price Range Distribution
(January 21, 2009 total: 1,562 companies)



Or 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

Kaiser Services

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

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