

2009 Vancouver Resource Investment Conference

San Francisco, USA

January 25, 2009

Presented by John Kaiser

Workshop: Tax Free Bottom-Fishing

www.KaiserBottomFish.com



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- **Can recontribute any withdrawn amount or portion thereof in a subsequent year, in addition to that subsequent year's annual \$5,000 contribution allowance**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- **Many investors have substantial savings in their RRSP account which will be taxable at their marginal rate when withdrawn at retirement.**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

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?

Kaiser Services

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

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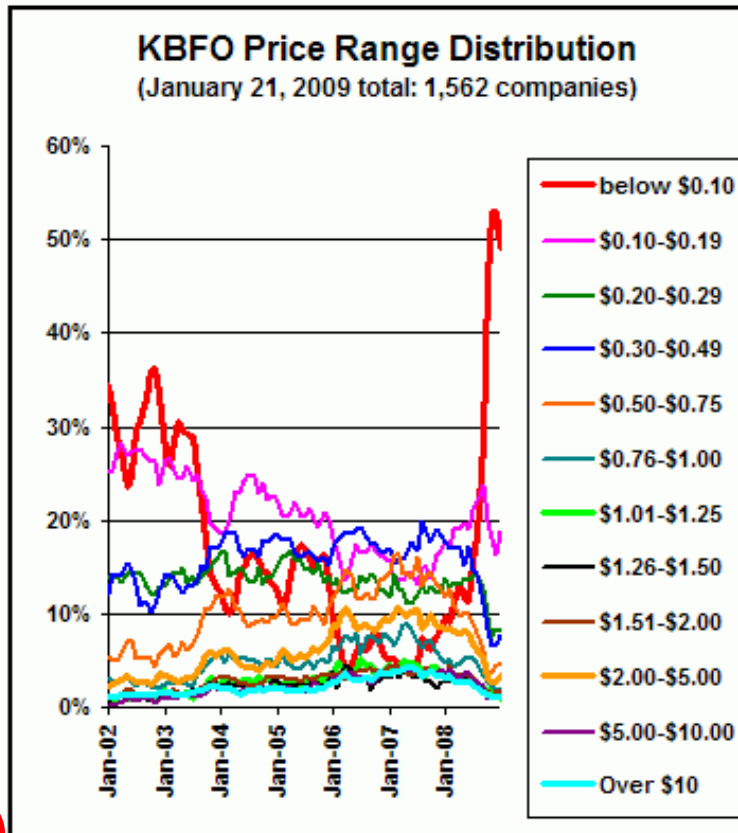
[Understanding the Rational Speculation Model](#)

Coming Up

[Cambridge Vancouver Jan 25-26, 2009](#)

[Cambridge Cheat Sheet](#)

Kaiser Bottom-Fish Online is a newsletter and online information portal run by John Kaiser, a mining analyst with over 25 years experience. KBFO offers traditional newsletter style recommendations and commentaries, as well as a comprehensive database of precious and base metals mining and exploration company profiles along with research tools that include metal based project resource tables, proprietary sectoral indices and management tracking. To learn more, visit the [Newcomer Orientation](#) page. If you never had the 1 month KBFO trial or had a full membership you are eligible for a one month full membership trial for \$100 which gives you access to all resources as well as the new [Post-Crash Bottom-Fishing List for 2009](#).



Catastrophic Collapse

Indices



Noteworthy

[General Release Schedule](#)

[Daily Bottom-Fish Action Report](#)

[Key Charts](#)

[Active Bottom-Fish Recommendations \(List\)](#)

[Active Spec Value Hunter Recommendations](#)

[2008 Recommendations](#)

[New Bottom-Fish Buys for 2008](#)

[Open Bottom-Fish Cycles \(Details\)](#)

[Bottom-Fish Still In Recommended Buy Range](#)

[Daily Volume Leaders](#)

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Active Bottom-Fish Recommendations
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Filter buttons: Reviewed last 7 days, Above Bottom-Fish Range, Within Bottom-Fish Range, Below Bottom-Fish Range, Recently Closed Out. Includes a link to 'Open Bottom-Fish or Spec Value Hunter Recommendation - Click for Recommendation Status'.

Active Bottom-Fish Buy Recommendations January 23, 2009

Table with 8 columns: Company, Reviewed, Status, Buy Range, Price, Gain. Lists companies like African Aura Resources Ltd, Almaden Minerals Ltd, Amanta Resources Ltd, etc.

● Recommendation Status for Northern Superior Resources Inc

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Northern Superior Resources Inc (SUP-V)

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Key People: Tom Morris

Issued 63,689,526	Diluted 75,337,745	Price \$0.06
Insiders 24.2%	Working Capital \$4,052,909	As of 9/30/2008

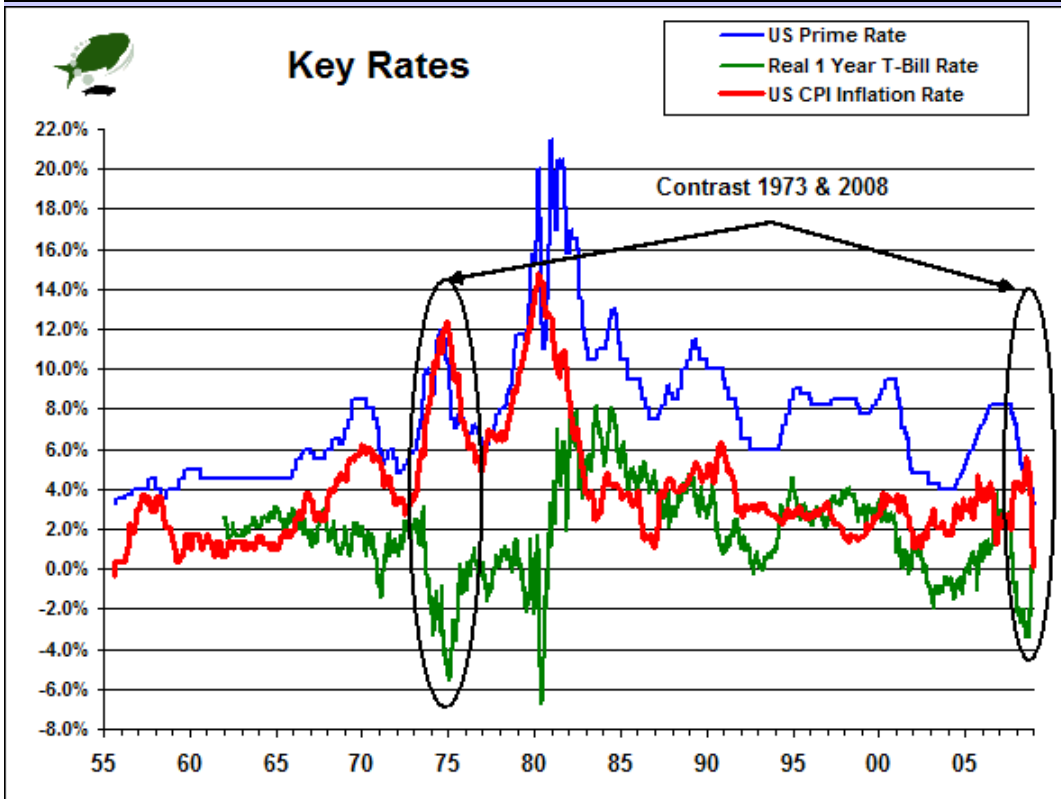
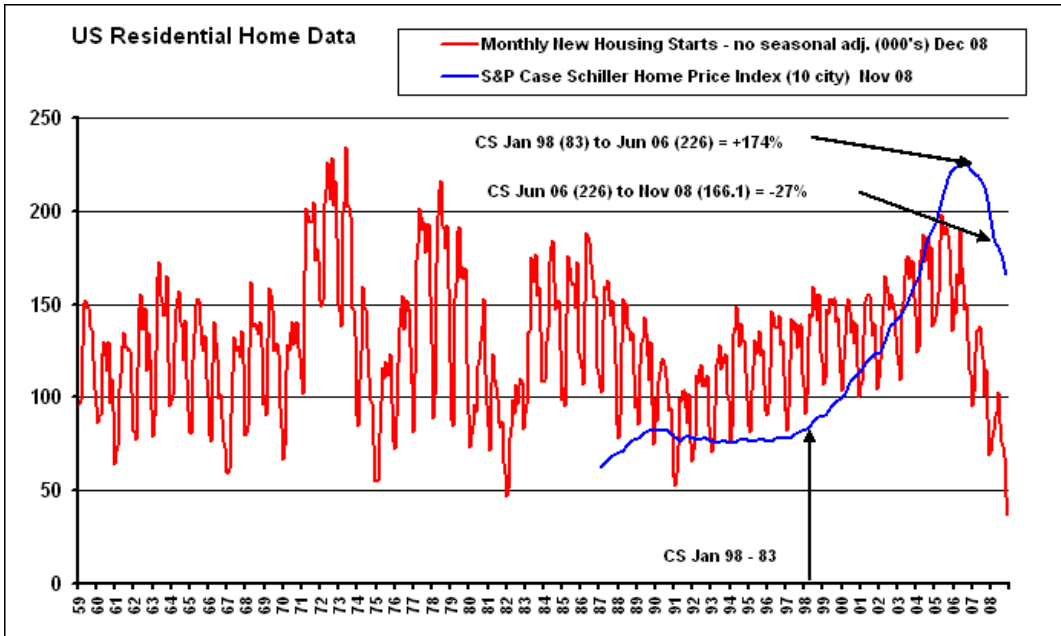
Synopsis: Northern Superior Resources Inc was formed through the merger of Canabrava Diamonds and Superior Diamonds, both diamond exploration juniors related to the Southwestern stable. Northern Superior started off exploring for kimberlites in Ontario's James Bay Lowlands and the region north of Thunder Bay, and when these plays waned the junior branched off into Quebec where it is still tracking indicator minerals on the Lesperance and Ville Marie projects. During the past five years Northern Superior embarked on regional reconnaissance work in northern Ontario west of the James Bay Lowlands, and in the process generated a major gold grain dispersion train in an area near Lansdowne at the western limit of the "Ring of Fire" in the McFauld's Lake region. The 50:50 JV with Lake Shore Gold called Ti-pa-haa-kaa-ning (TPK) encompasses a new overburden covered greenstone belt where the target is to find a world class gold system. Drilling has intersected gold in narrow veins and anomalous values in shears, but nothing that yet qualifies as a freegold source of the gold in till anomalies. The focus of work by Northern Superior in 2009 will be to better define the Big Dam target area with geophysical surveys, more detailed till sampling, and shallow RC drilling..



Date	Price		Recommendation	Action	Net Cash	Net Stock	Gain	New Status
12/24/2008	\$0.03	↑	New BF XP Buy below \$0.10	Buy 10,000 @ \$0.10	\$0	10,000	0%	BF XP Buy below \$0.10

Bottom-Fish Cycle: -45% **Spec Value Hunter Cycle:** N/A

Recommendation Strategy as of January 12, 2009: Northern Superior Resources Inc was recommended an extreme risk bottom-fish buy below \$0.10 on December 24, 2008 based on the prospect that the junior would find the source of the Big Dam gold dispersal apron on its 50% owned TPK property in northern Ontario before its money runs out. Northern Superior is the successor to a couple diamond exploration juniors linked to Southwestern Resources Corp that were merged in 2003, and which pursued a strategy of reconnaissance till sampling in unexplored parts of Ontario and Quebec. Northern Superior has not been successful in diamond exploration, but its collection of heavy minerals resulted in the discovery of the Big Dam gold grain dispersal apron with a strike of 6 km and a down-ice extent of 2 km in 2005. The gold-in-till anomaly is comparable in size to that associated with Rainy River's gold discovery in southwestern Ontario where a 3.6 million ounce gold resource has been outlined, and



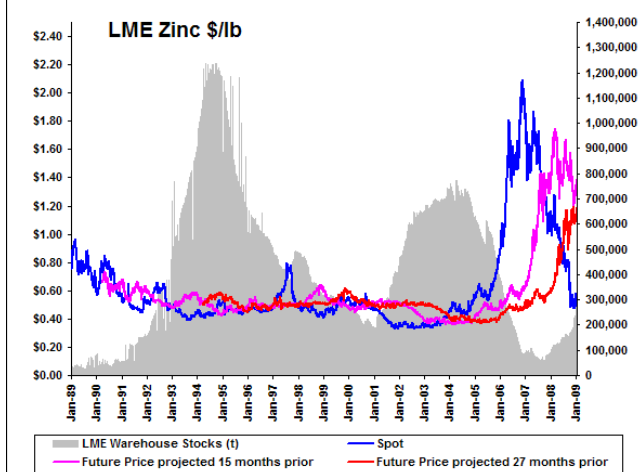
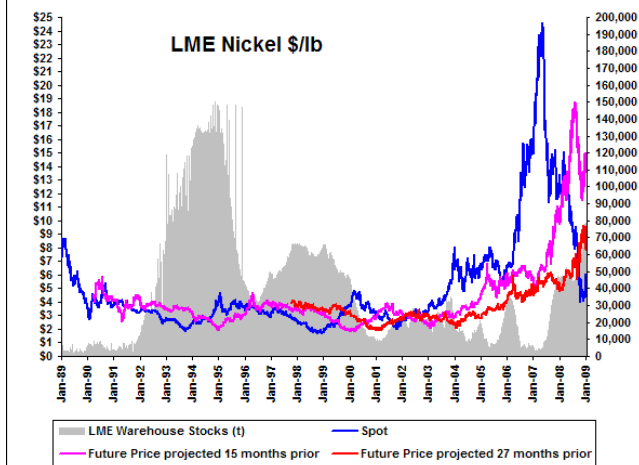
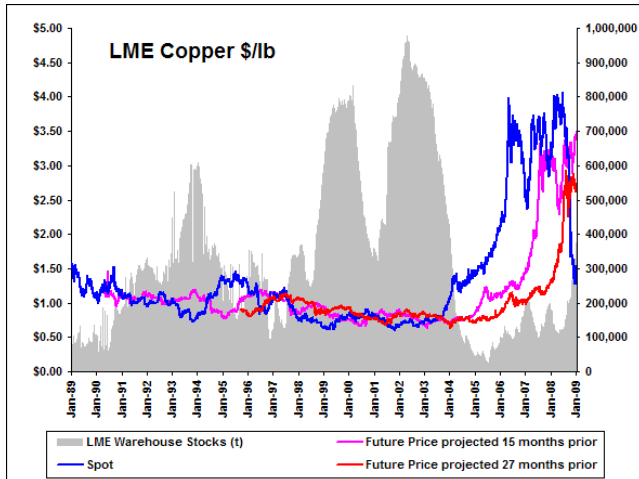
Economic Cycle Downturn

The consequences of globalization and the death of credit fueled consumption



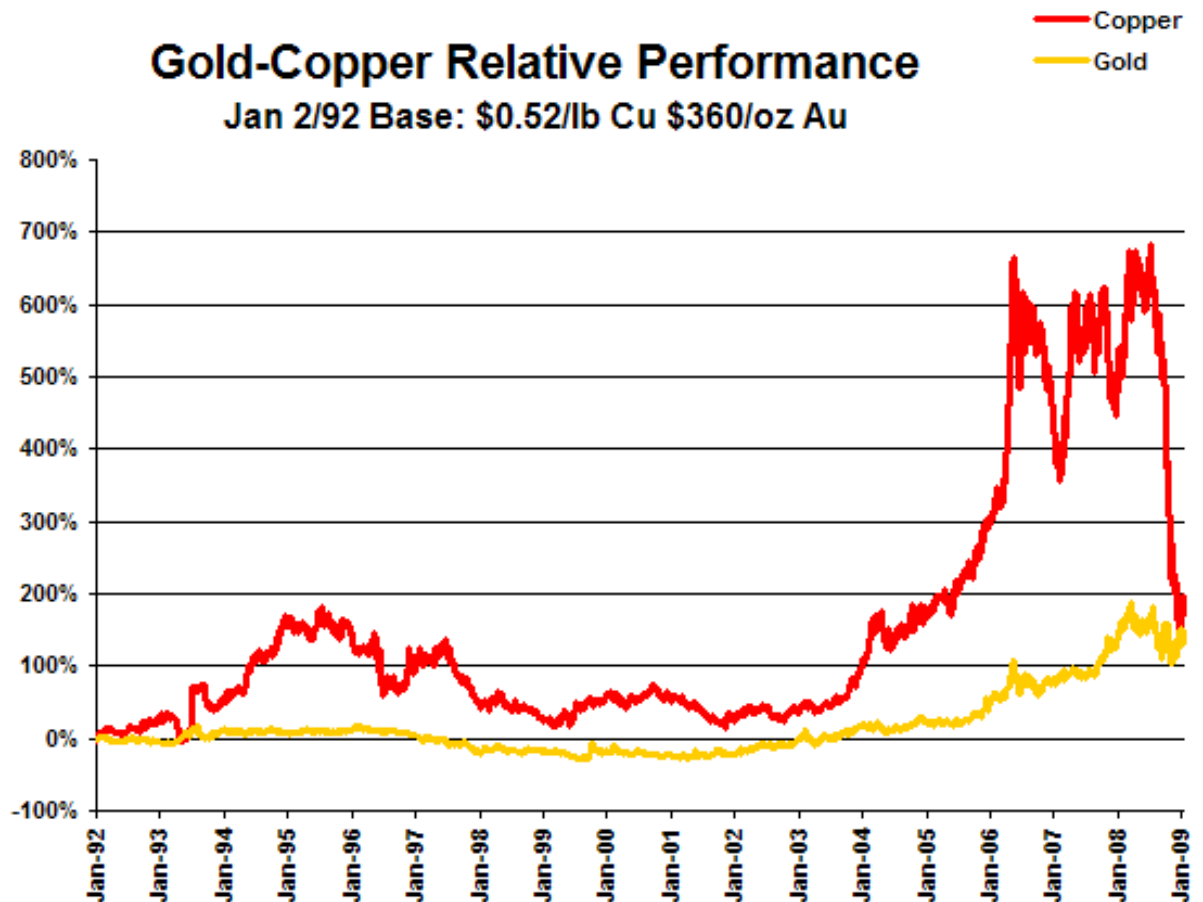
Commodity Cycle Downturn

Demand hits the wall, supply hurtles on.



Gold-Copper Relative Performance

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



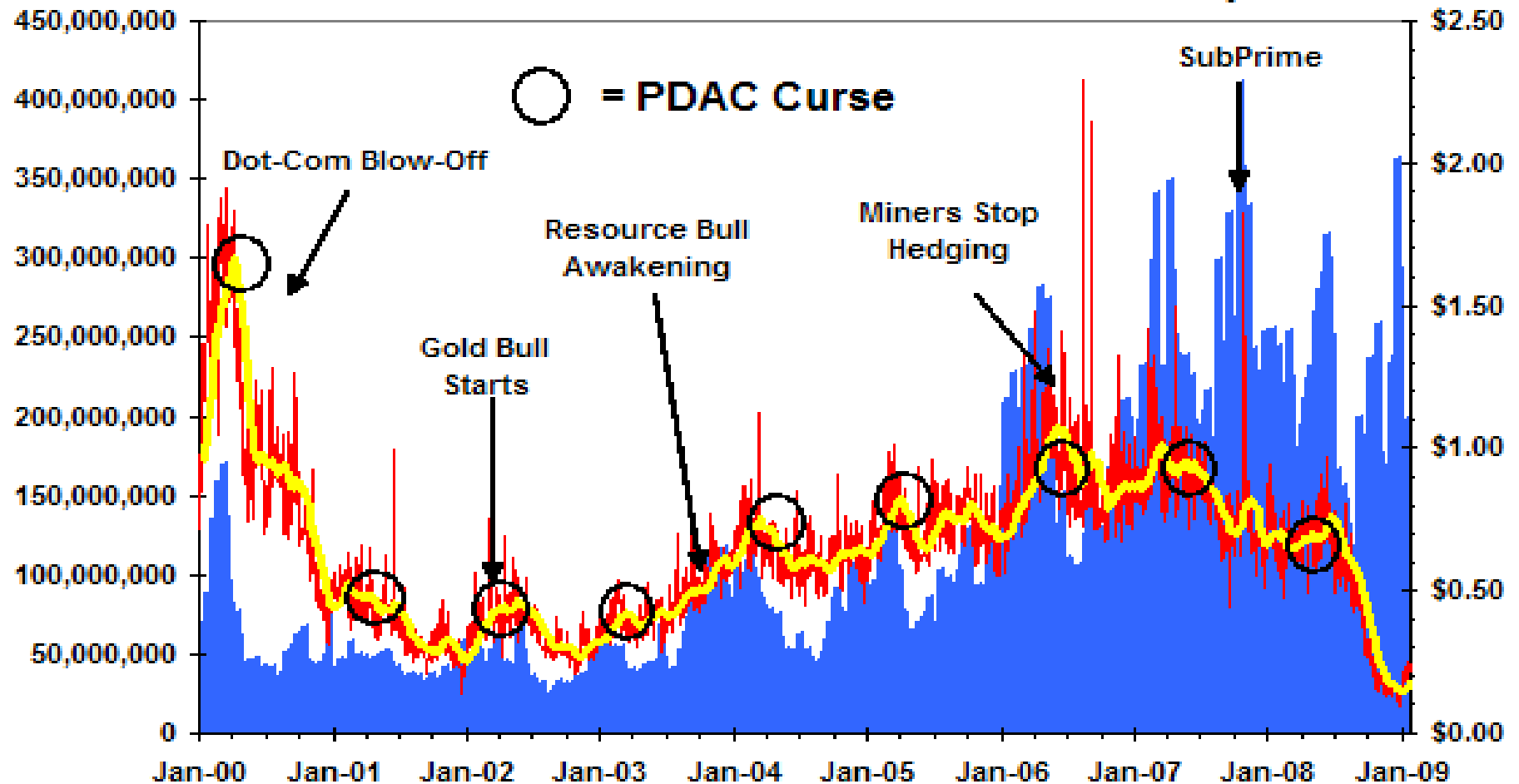
Market Cycle Downturn

Daily TSXV Volume and Average Trading Share Price



Volume — Average Share Price — 30 Day Average Price

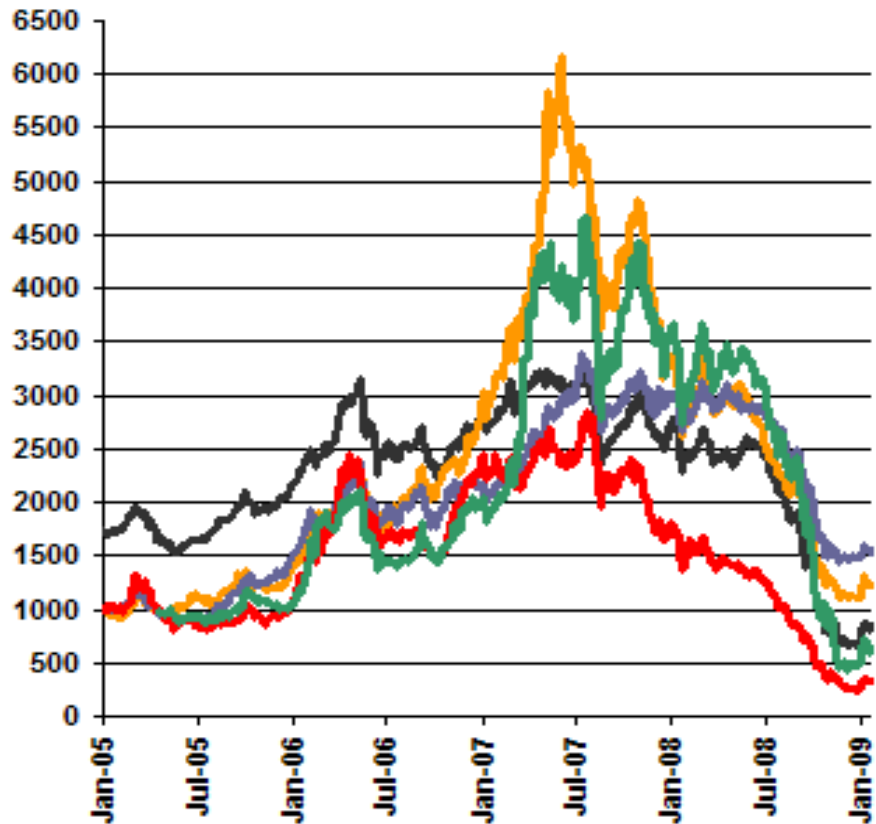
January 23, 2009



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

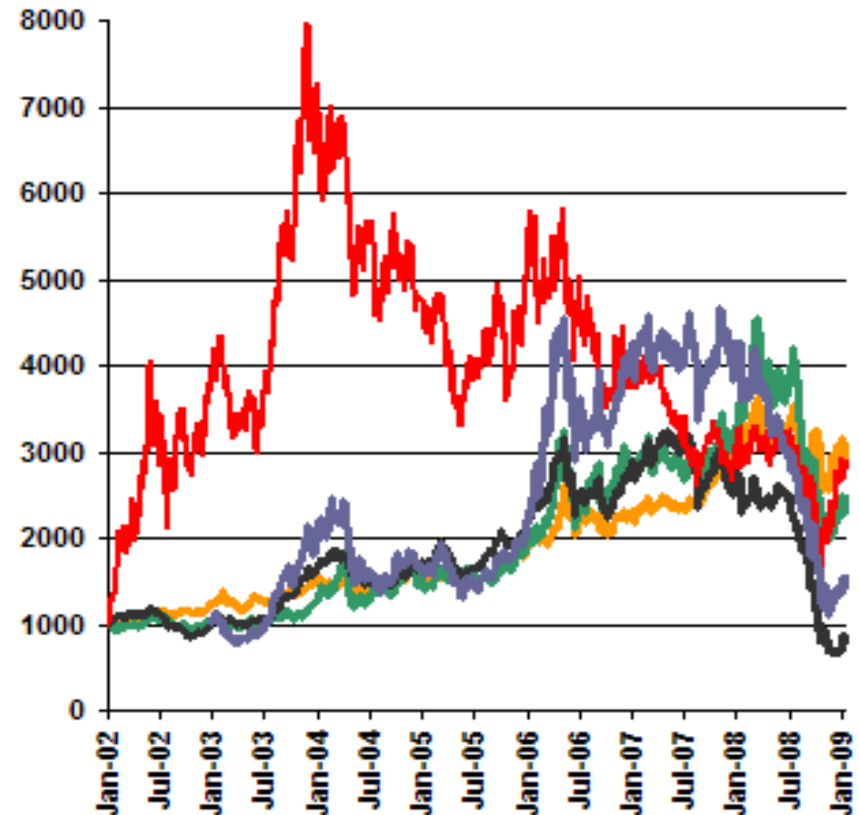
Sectoral Cycle Downturns

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

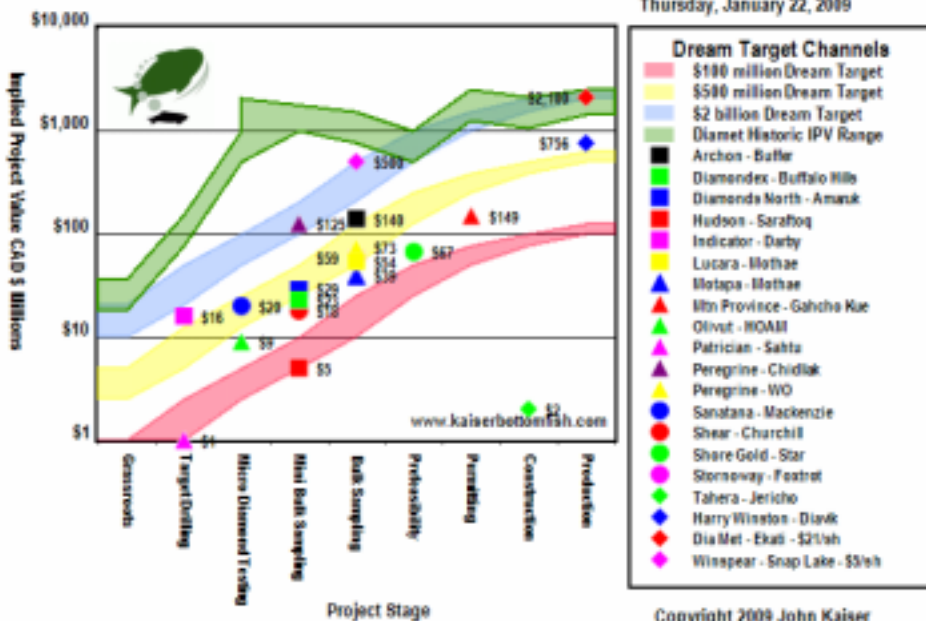
- Resource Estimates - Ounces & Pounds in the Ground
- Focused on development portion of exploration cycle: infill drilling, metallurgy, prefeasibility, feasibility/permitting, construction
- Vulnerable to geopolitical risk and commodity price volatility
- Valuation based on DCF Method & Peer Group Comparison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

Key Diamond Project Valuations

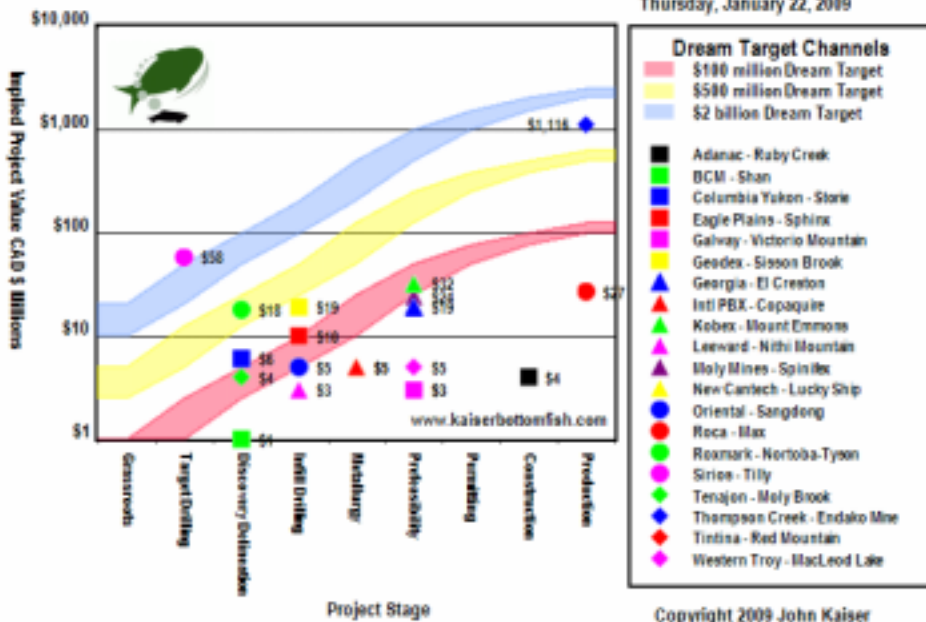
Thursday, January 22, 2009



Story Speculation Cycle Downturn

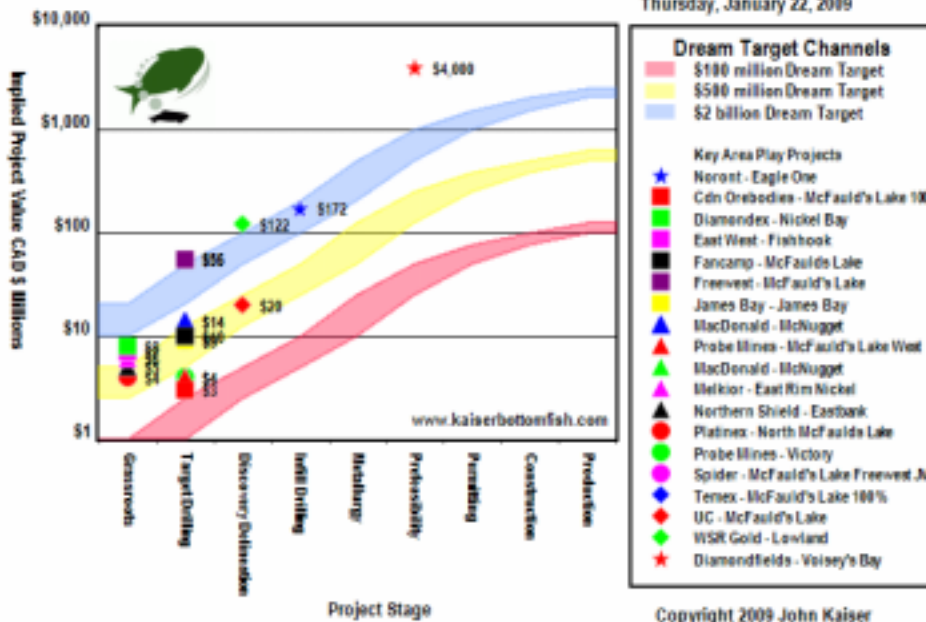
Key MolyMania Project Valuations

Thursday, January 22, 2009



McFauld's Lake Area Play Valuations

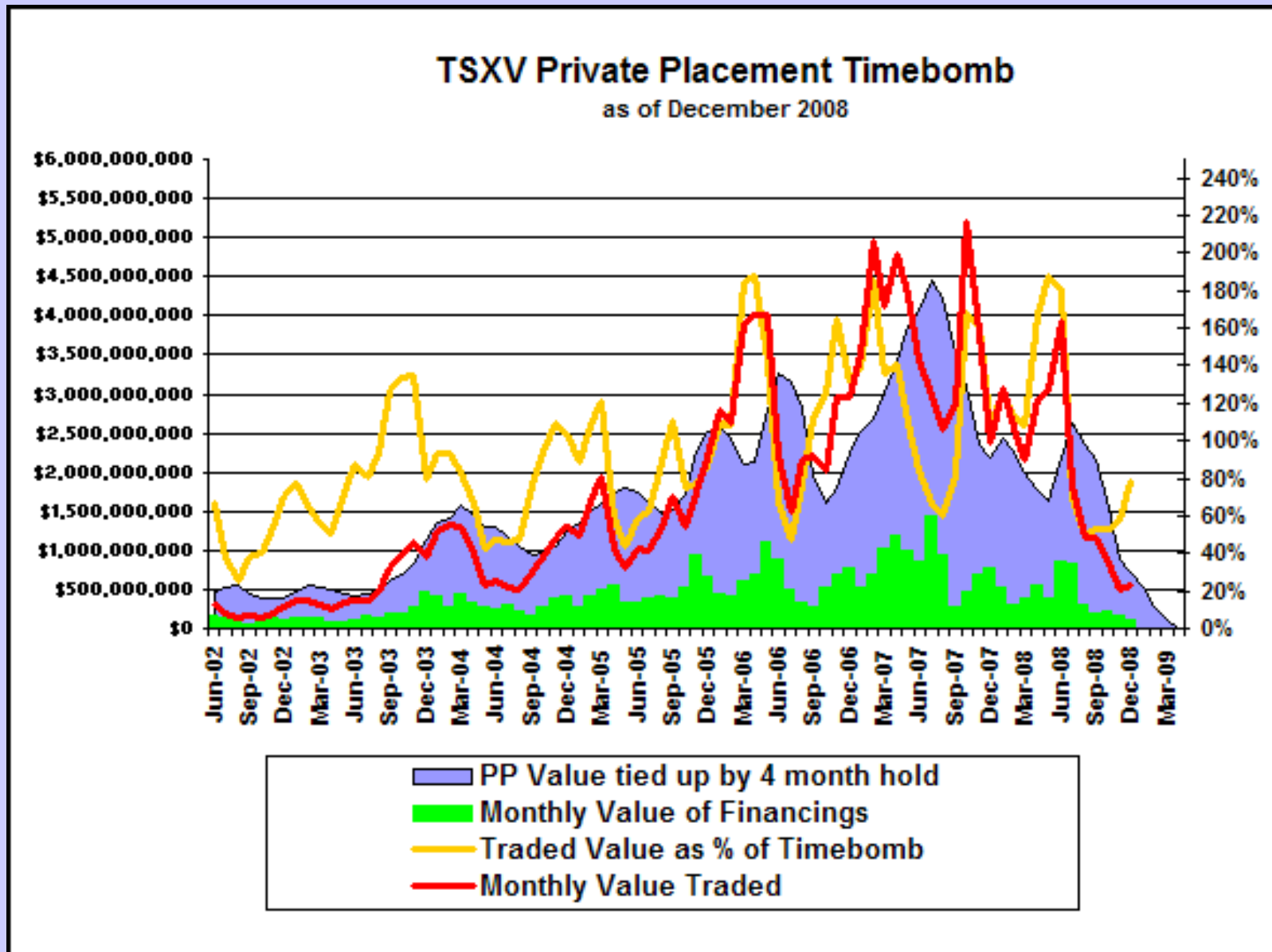
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Stages in a Junior's Life Cycle

- **Structure: create paper for insiders and their support network through private placements**
- **If a shell, shift control to people with the skill to launch, fund and operate a story speculation cycle**
- **Generate or acquire a story for a speculation cycle**
- **Promote the stock to a higher price and secure financing for the story**
- **Spend the money to develop the fundamentals of the story**
- **Encourage the managers of other people's money to buy the stock – institutions and hedge funds – and encourage newsletter writers to pump the stock to their subscribers, conference attendees, and online, radio or television audiences.**
- **Dump paper into the buying to recover initial investment and a good return, put some money back into treasury through private placement to boost confidence.**
- **Cultivate a Plan B story in case the flagship story runs into problems**
- **If Plan A is alive and well, seek an exit strategy through a friendly merger with a bigger company or a buyout by a major**
- **If Plan A is dead, yank it off the stage and replace it with Plan B story**
- **Repeat story speculation cycles until the insider stake is below 10%, the capital is gone, and the insider support network no longer has a meaningful position, or a buyout/merger has been achieved.**
- **Close out the life cycle by allowing the stock to sink into the pennies, spend remaining funds on administrative costs, accrue management salaries, bully creditors into accepting paper as settlement of debts, consolidate the stock 10:1, and let the stock sink back into the pennies**
- **Go back to the beginning of this list and repeat to launch a new life cycle**

Life Cycle Funding Downturn



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

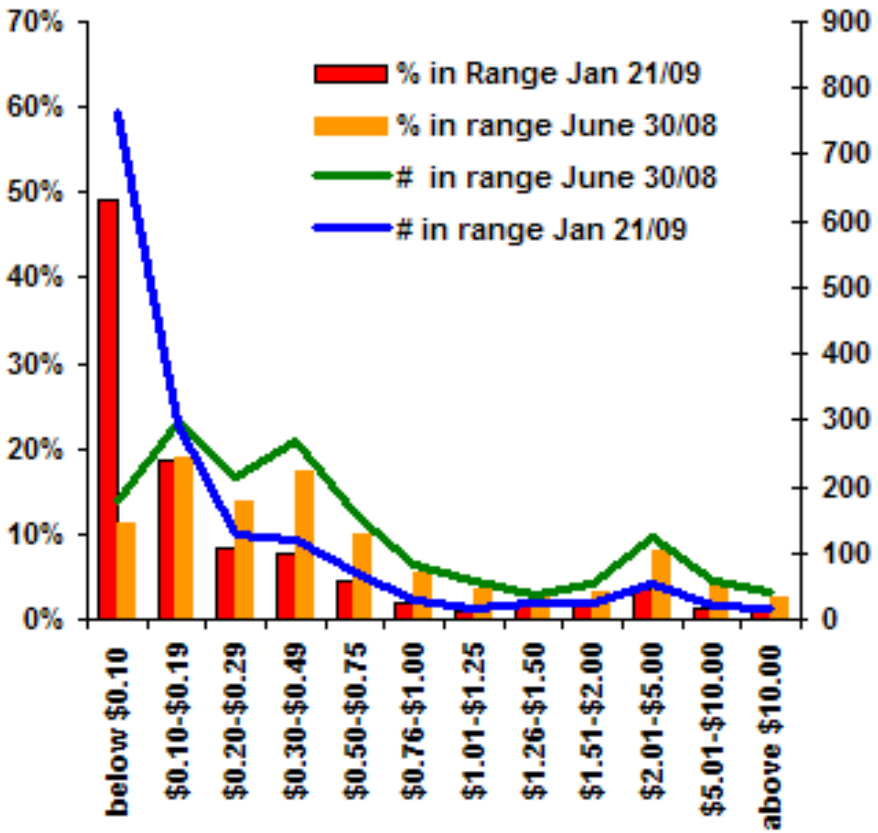
Gold	1,301,656,659	oz
Silver	12,944,652,803	oz
Platinum	24,897,219	oz
Palladium	45,094,590	oz
Copper	583,169,169,622	lb
Nickel	63,897,427,564	lb
Zinc	218,743,411,976	lb
Lead	69,905,459,755	lb
Molybdenum	25,096,129,098	lb
Uranium	1,747,902,708	lb
Vanadium	575,578,759	lb
Tungsten	4,311,163,366	lb
Spot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

Seasonal Cycles

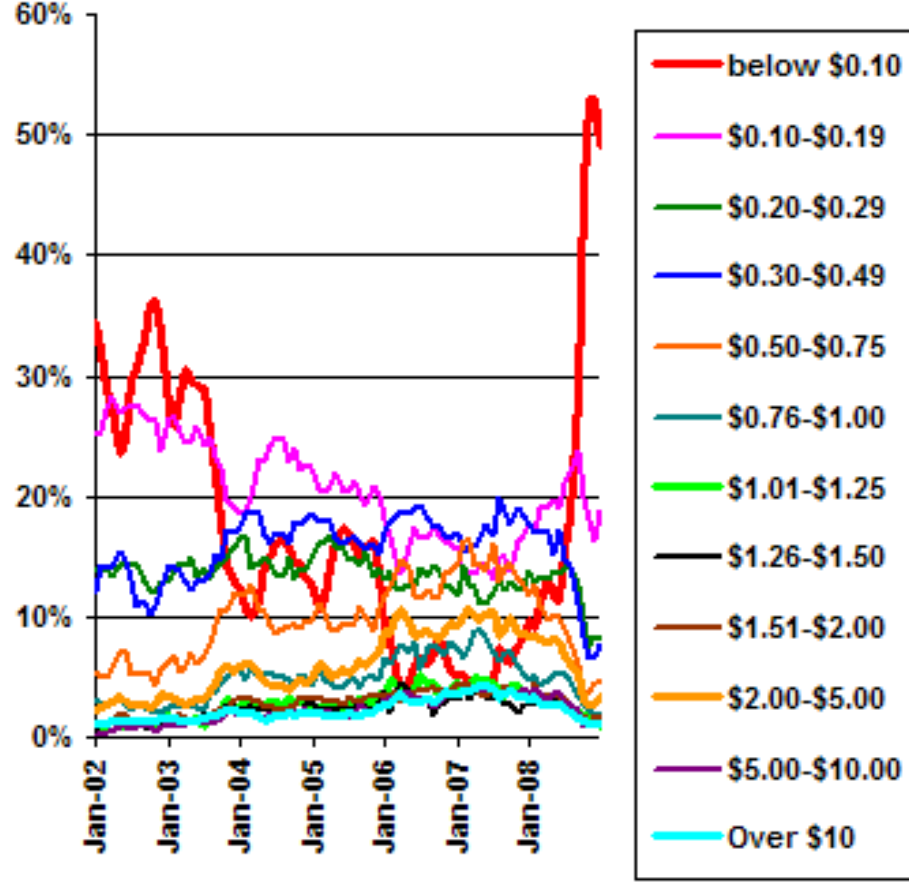
- **Historically linked to North American exploration focus**
- **Glass half full January Effect**
- **Sell in May and Go Away**
- **Summer Doldrums**
- **Back to Work & See the Results Fall Rally**
- **Final Quarter glass half empty and tax loss selling**
- **Seasonal Cycle no longer predictable**
- **Since the nineties Canadian resource juniors have been active around the world where winter is turned around (southern hemisphere) or the non-work period is the rainy season (tropics)**
- **Data flow peaks and valleys for individual story speculation cycles are thus distributed throughout year rather than concentrated in the 3rd quarter**
- **Since 2003 the behavior of the commodity cycle has had a profound impact on the timing of rallies and downturns within the calendar year**
- **Perfect Storm of an all cycle downturn after 5 year bull market aggravated by ability of Canadians to carry losses back 3 years to offset prior capital gains**
- **Year end institutional liquidation in response to redemptions and paper losses**

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)

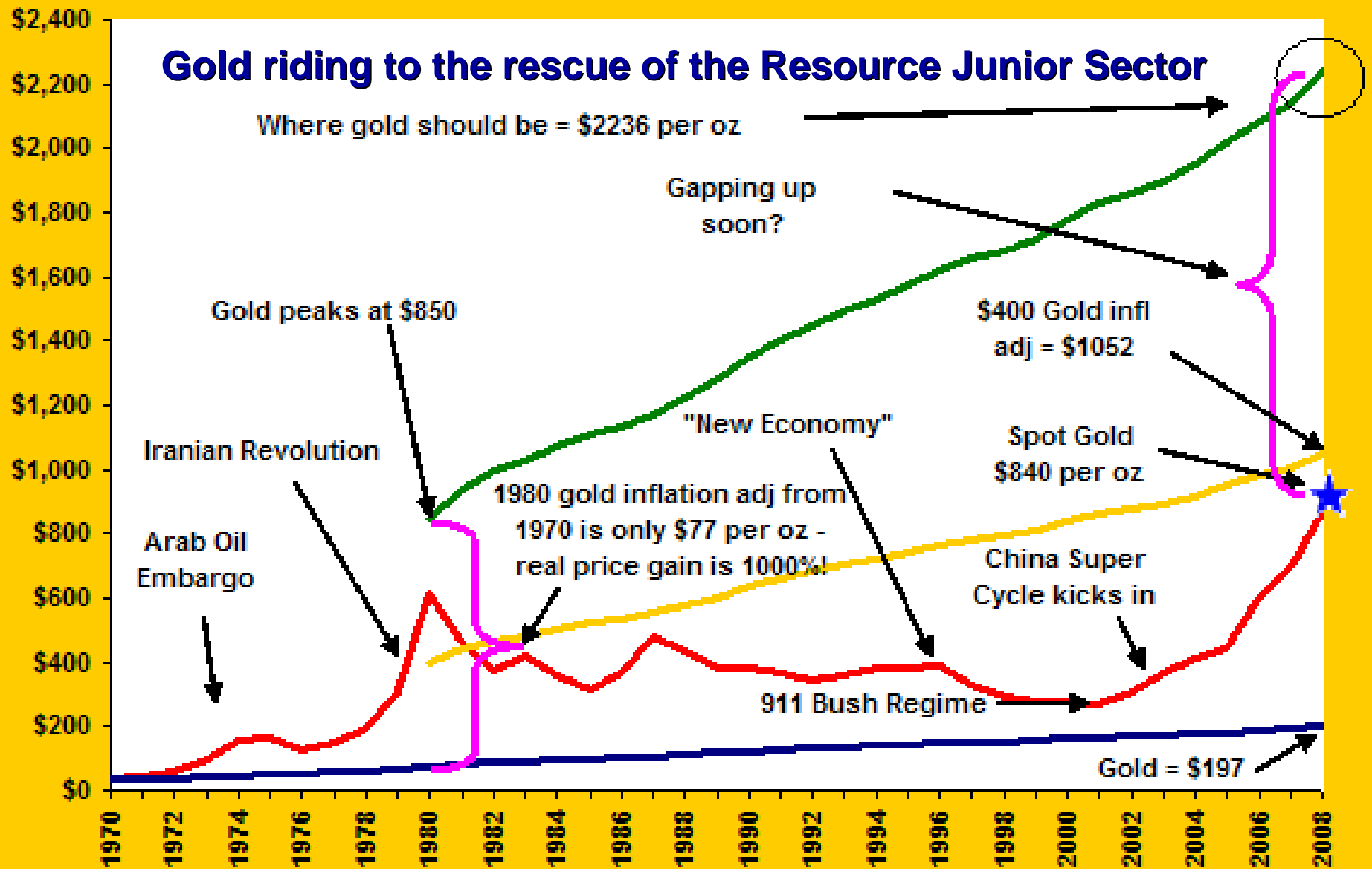


Or Bottom-Fishing Hell?

- **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

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



Questions?

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