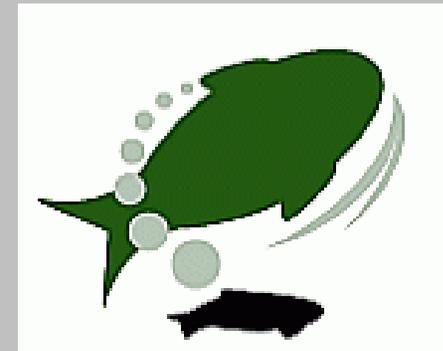


2012 California Resource Investment Conference

Indian Wells, USA

February 11, 2012

Presented by John Kaiser

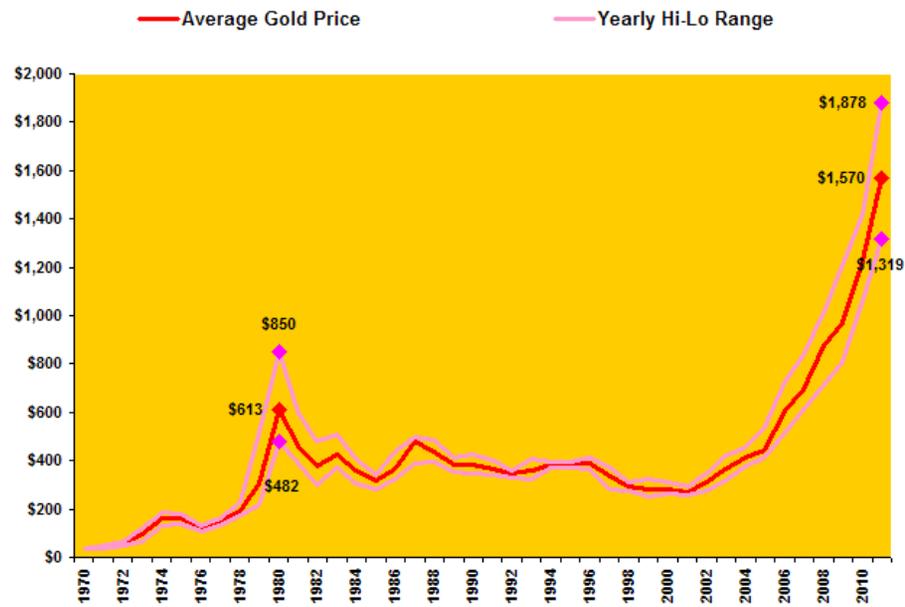


**Keynote: Are Gold & Silver
Equities a better bet than Bullion?**

www.KaiserResearch.com

Is there a way we can look at these gold and silver charts without concluding that gold and silver bullion are in a dangerous bubble?

Annual Average Gold Price with High-Low Range

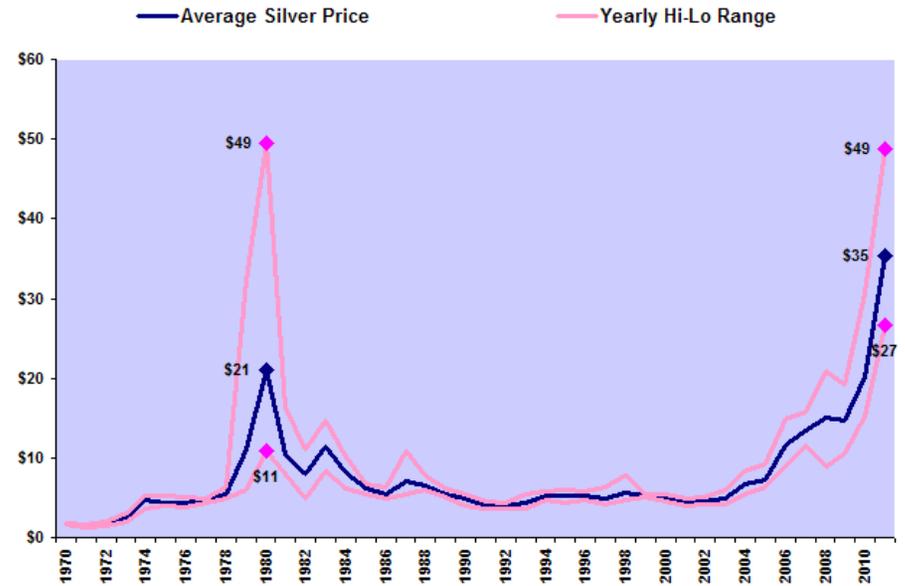


Source: CPM, IMF, World Bank

February 2012

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Annual Average Silver Price with High-Low Range



Source: CPM, IMF, World Bank

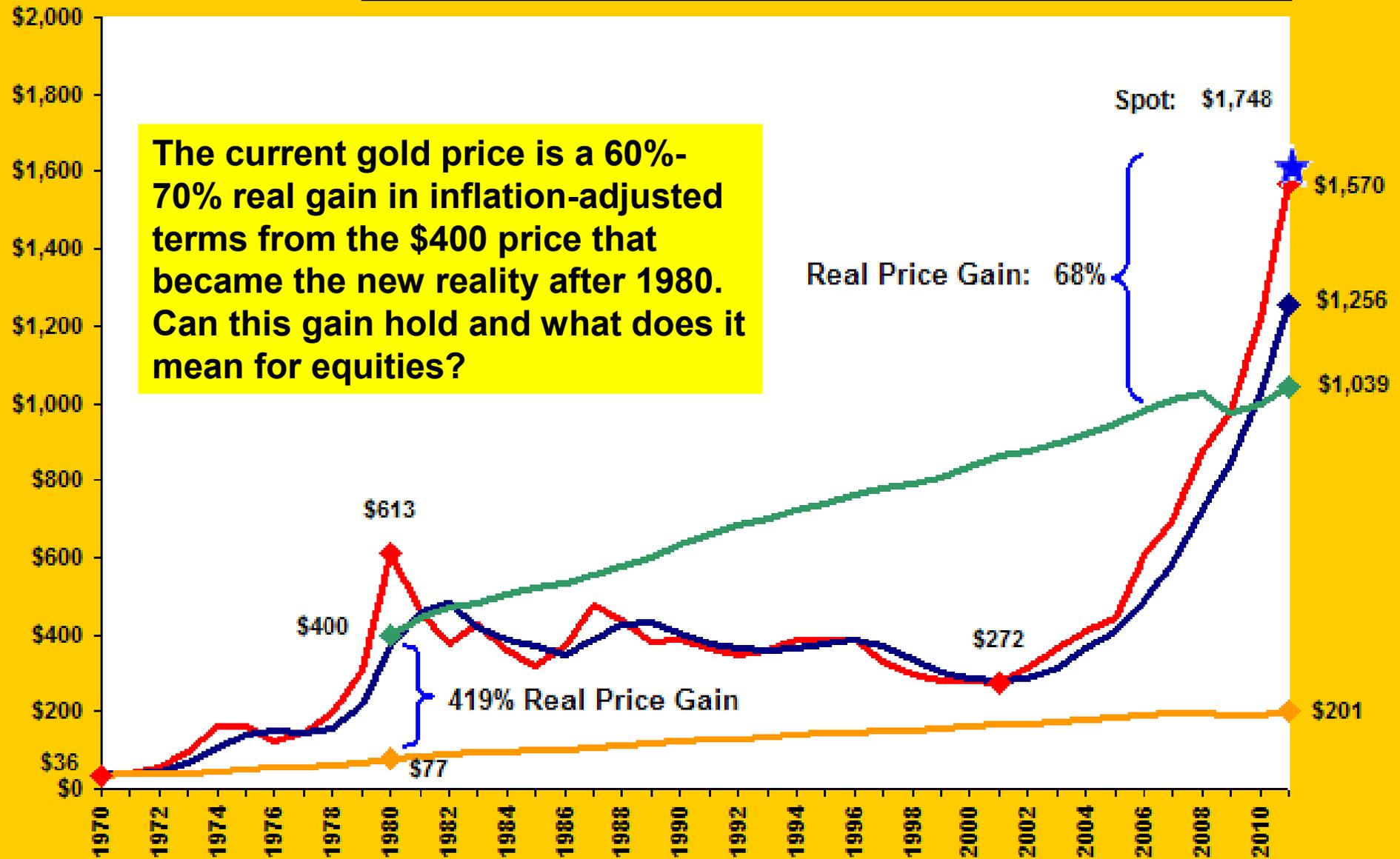
February 2012

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Gold

- Average Annual Gold Price \$/oz
- 3 year average - includes current year
- Gold Price US CPI inflation adjusted from 1980 base of \$400 per oz
- Gold Price US CPI inflation adjusted from 1970 base of \$36 per oz

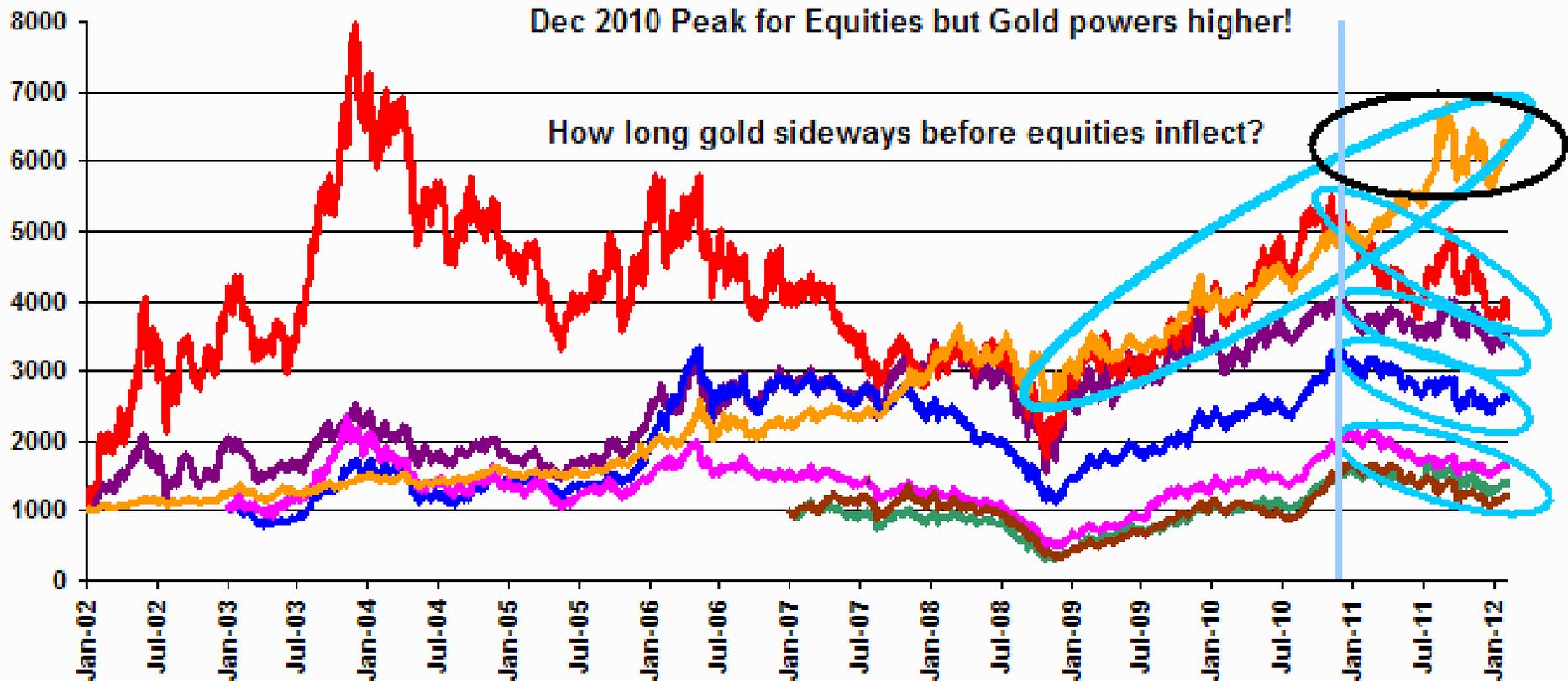
The current gold price is a 60%-70% real gain in inflation-adjusted terms from the \$400 price that became the new reality after 1980. Can this gain hold and what does it mean for equities?



KRO Gold Indices

So why are gold producers & near producers in a downtrend since Dec 2010?

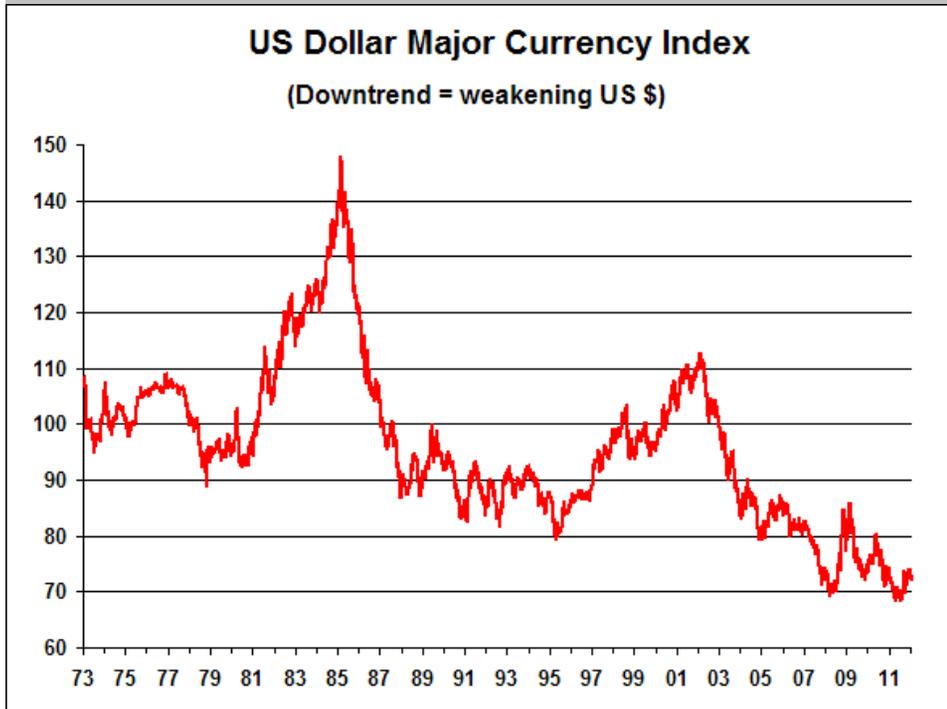
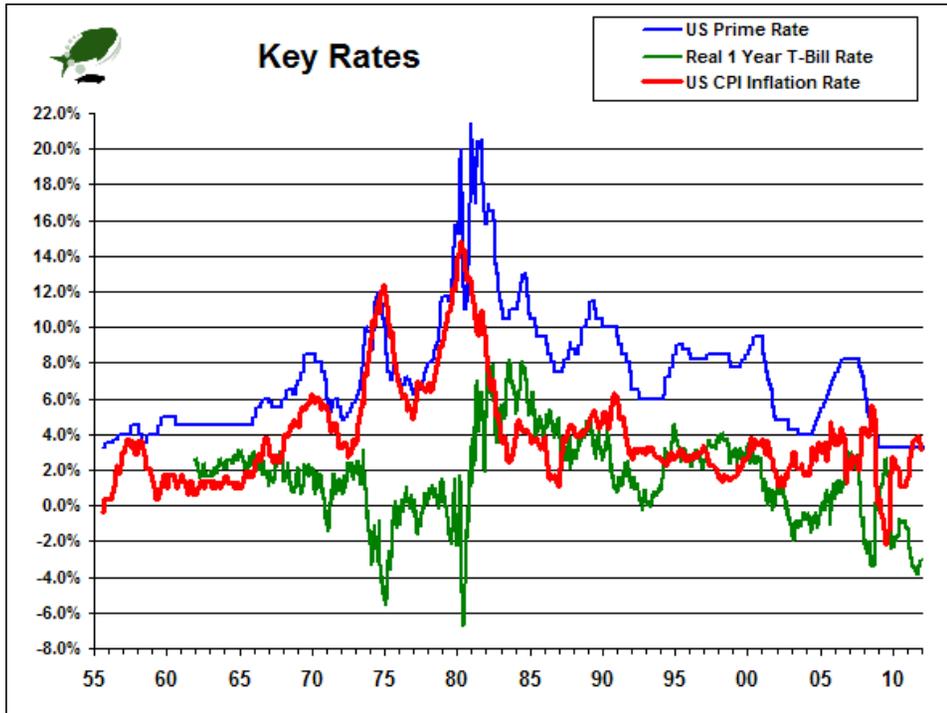
February 9, 2012



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



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Is gold up because it is anticipating inflation which will wipe out the profit margin implicit in gold's real price gain?

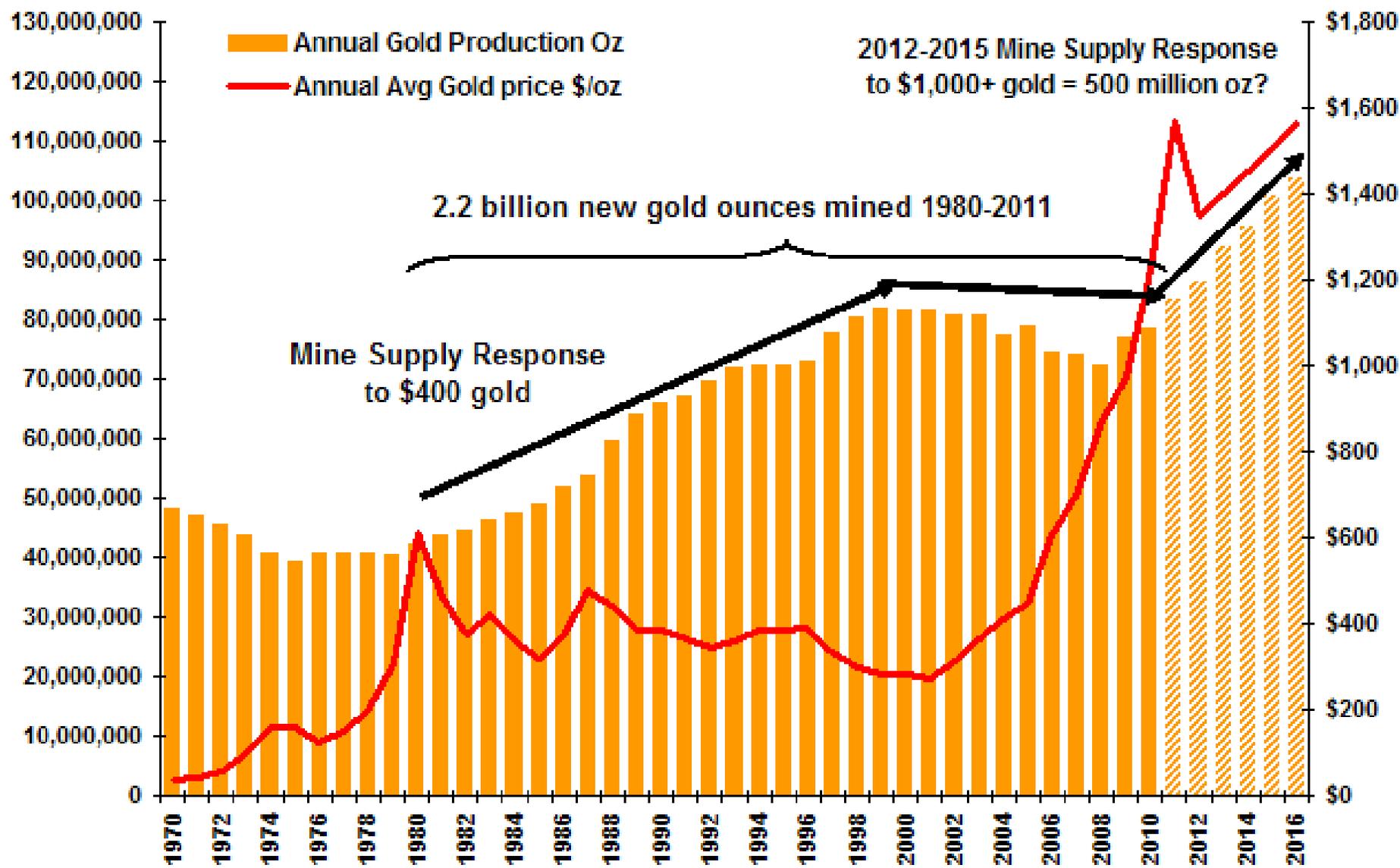
Is gold up because the US dollar will massively decline against other currencies?

Neither the hyper-inflation nor currency debasement explanations for gold's strength are good for gold equities.

The apocalyptic gold bug narrative does nothing for the profitability of gold production, the basis on which equities get valued.

Annual Mine Supply - Gold Ounces

(2.2 billion oz added to 3.2 billion oz stock from 1980-2011, 2011+ CPM projections)



Source: CPM

February 2012

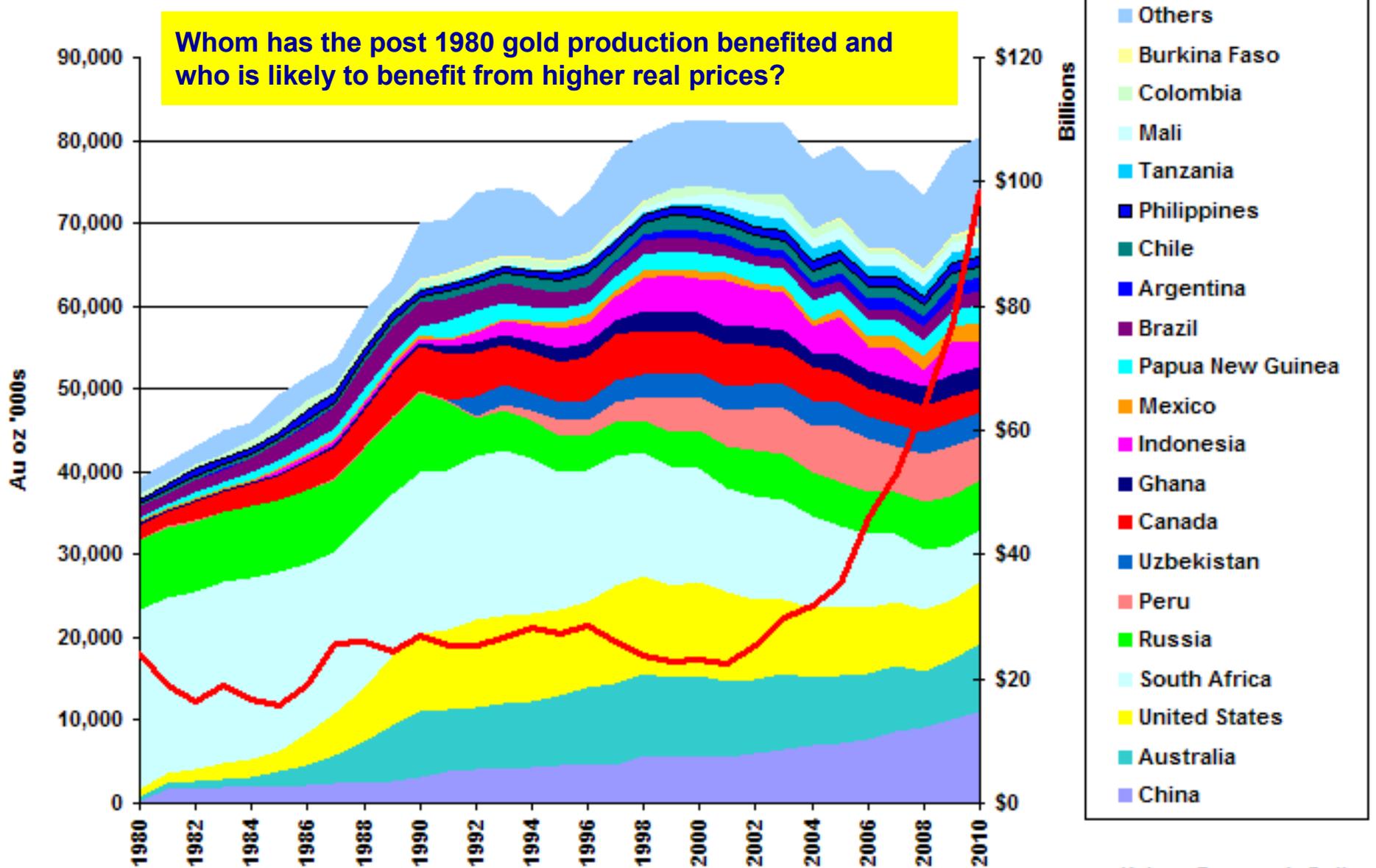
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Annual Gold Production

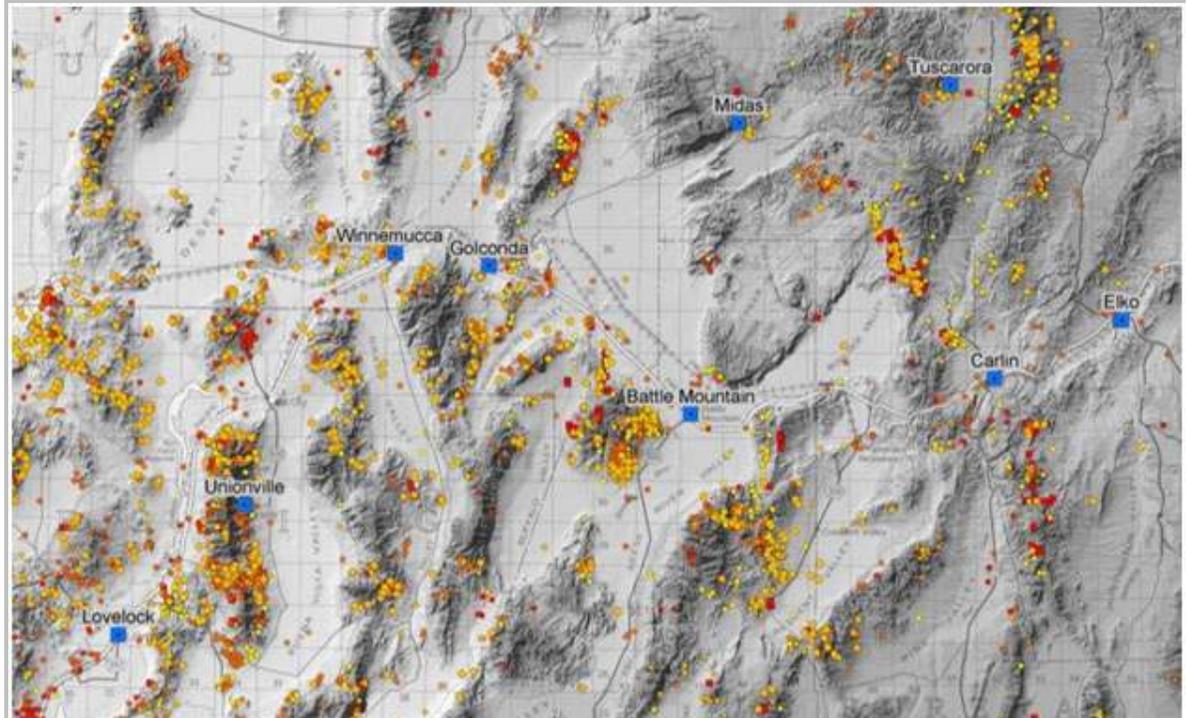
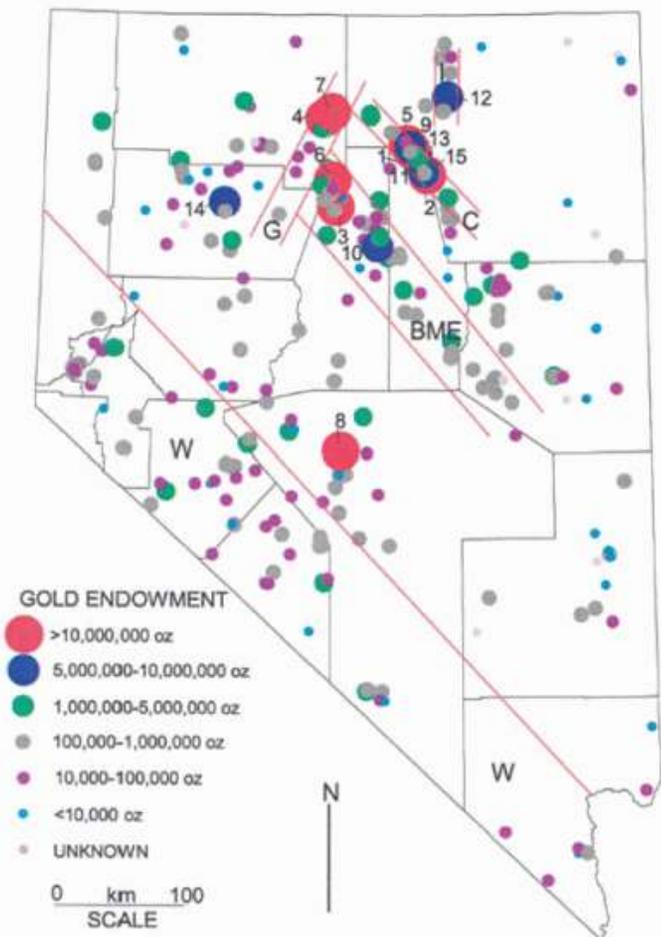
Production Data Source: USGS, CPM

Annual Production Value based on average annual gold price



Nevada: host to one of the world's greatest gold endowments

More than half of Nevada's gold endowment remains to be found under the basin gravels.



Nevada Exploration Inc

2/9/2009 TO 2/9/2012

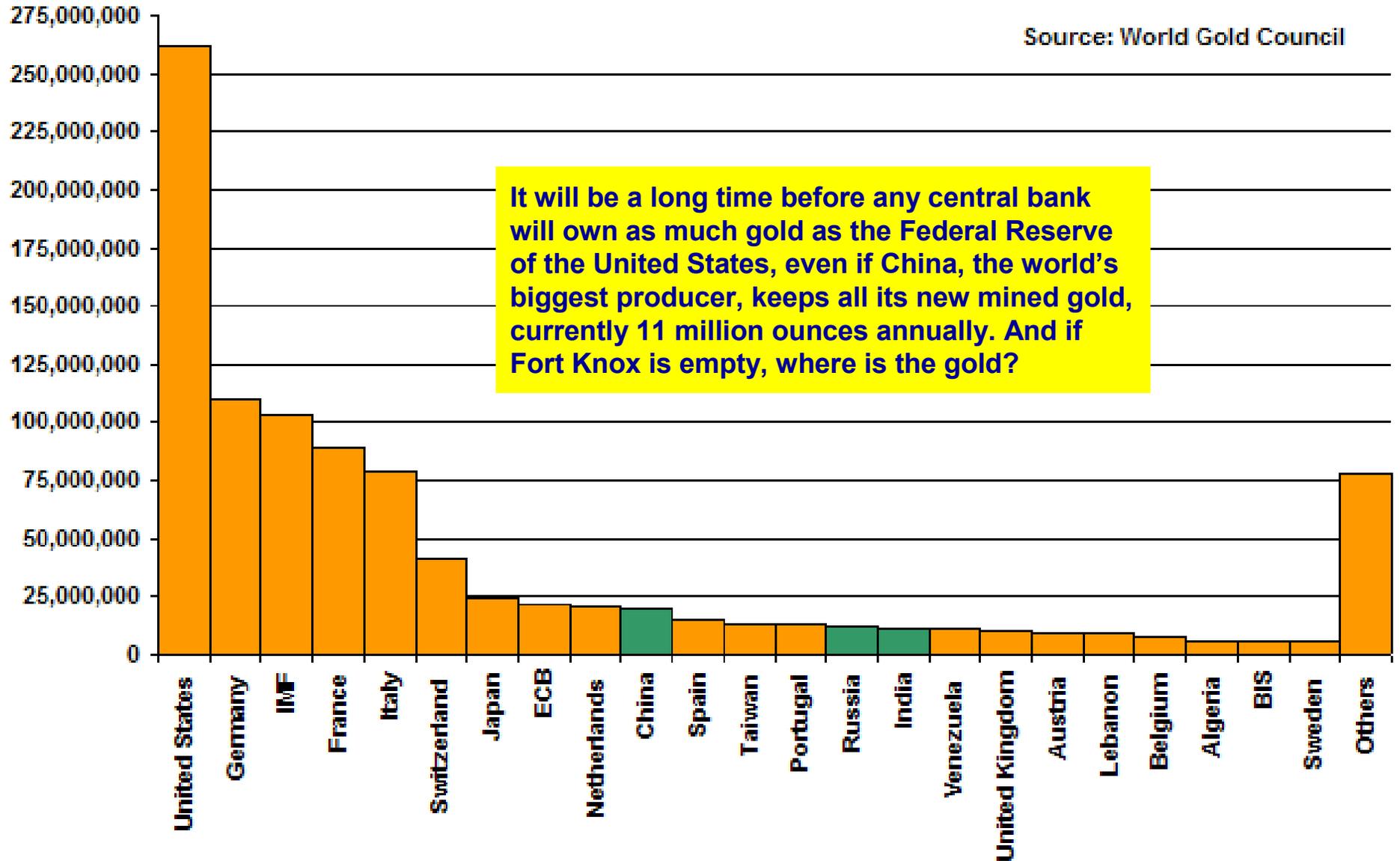


Issued:	107,532,851	High:	\$0.29 on 10/1/2009	Max Volume:	797,000 on 4/7/2011
Diluted:	122,445,551	Low:	\$0.05 on 4/2/2009	Max Value:	\$125,955 on 10/1/2009

Official Gold Holdings - Q3 2011

989 million ounces

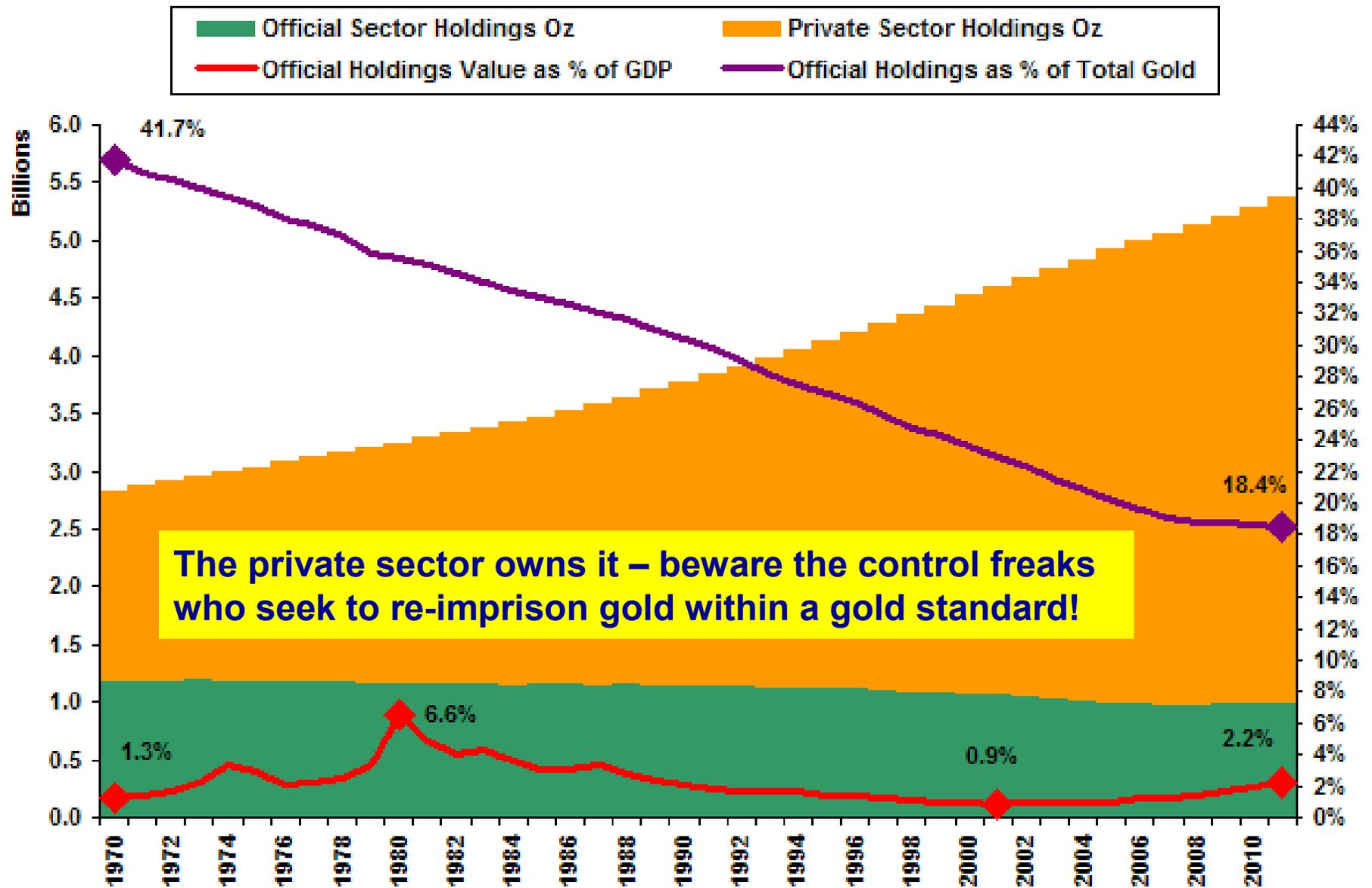
Source: World Gold Council



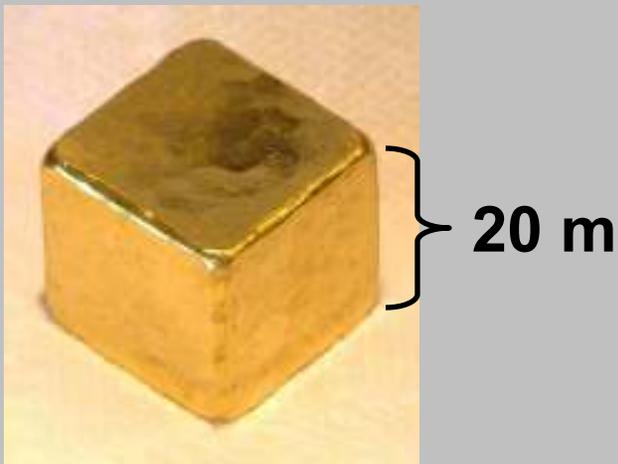
It will be a long time before any central bank will own as much gold as the Federal Reserve of the United States, even if China, the world's biggest producer, keeps all its new mined gold, currently 11 million ounces annually. And if Fort Knox is empty, where is the gold?

Trends in Official vs Private Sector Gold Holdings

(2011 GDP & Mine Supply estimated - Au \$1,570/oz Ag \$35/oz average)



Money is an information system that facilitates economic exchange by keeping track of debits and credits: it is an abstract promise about the future whose existence does not require energy as an input. However, its integrity requires trust and a market.

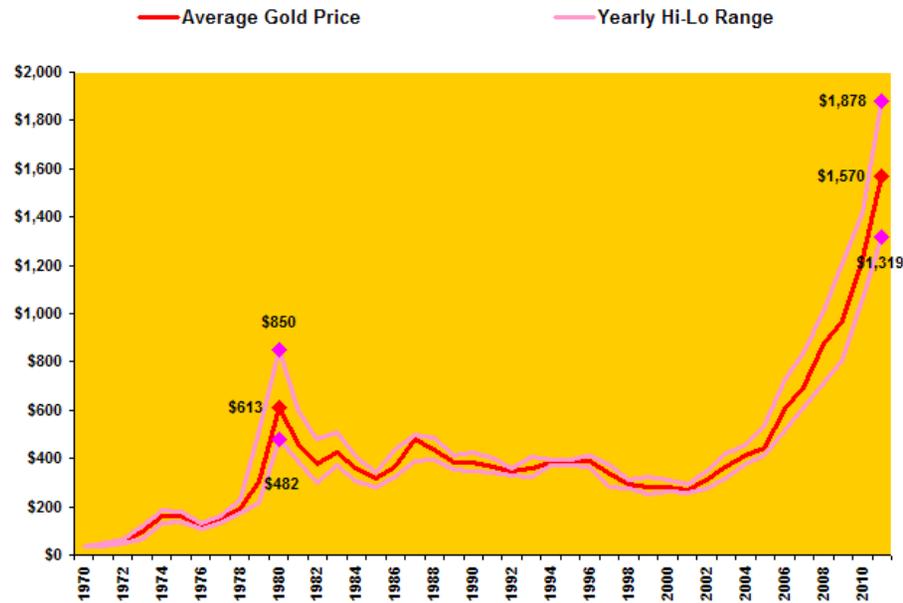


Gold is a tangible record of energy consumed: it is a relic that promises nothing. However, the energy stored in the above ground gold stock is an undeniable fact. So is its payload of human suffering.

Because gold has limited utility, the challenge is to recover the energy consumed in the production of bullion. So long as gold ownership does not become unfashionable, as it would if there were an **energy breakthrough** that facilitated boundless production, or if there was a breakthrough in **desalination** with gold as a recoverable by-product, it can serve as a tradeable asset class.

Gold's primary utility is as a private sector asset class that provides insurance against financial and geopolitical uncertainty.

Annual Average Gold Price with High-Low Range

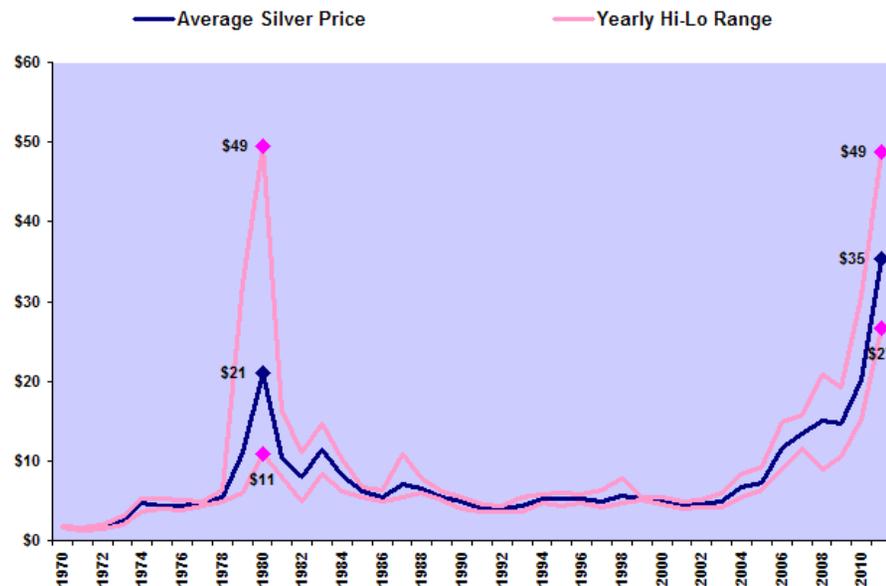


Source: CPM, IMF, World Bank

February 2012

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Annual Average Silver Price with High-Low Range



Source: CPM, IMF, World Bank

February 2012

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If it looks like a bubble, then how can it not be a bubble?

It's not about the collapse of fiat currencies and the end of America.

It's about the relative, not absolute, decline entailed for America by a global economy whose growth is driven by emerging economies such as China.

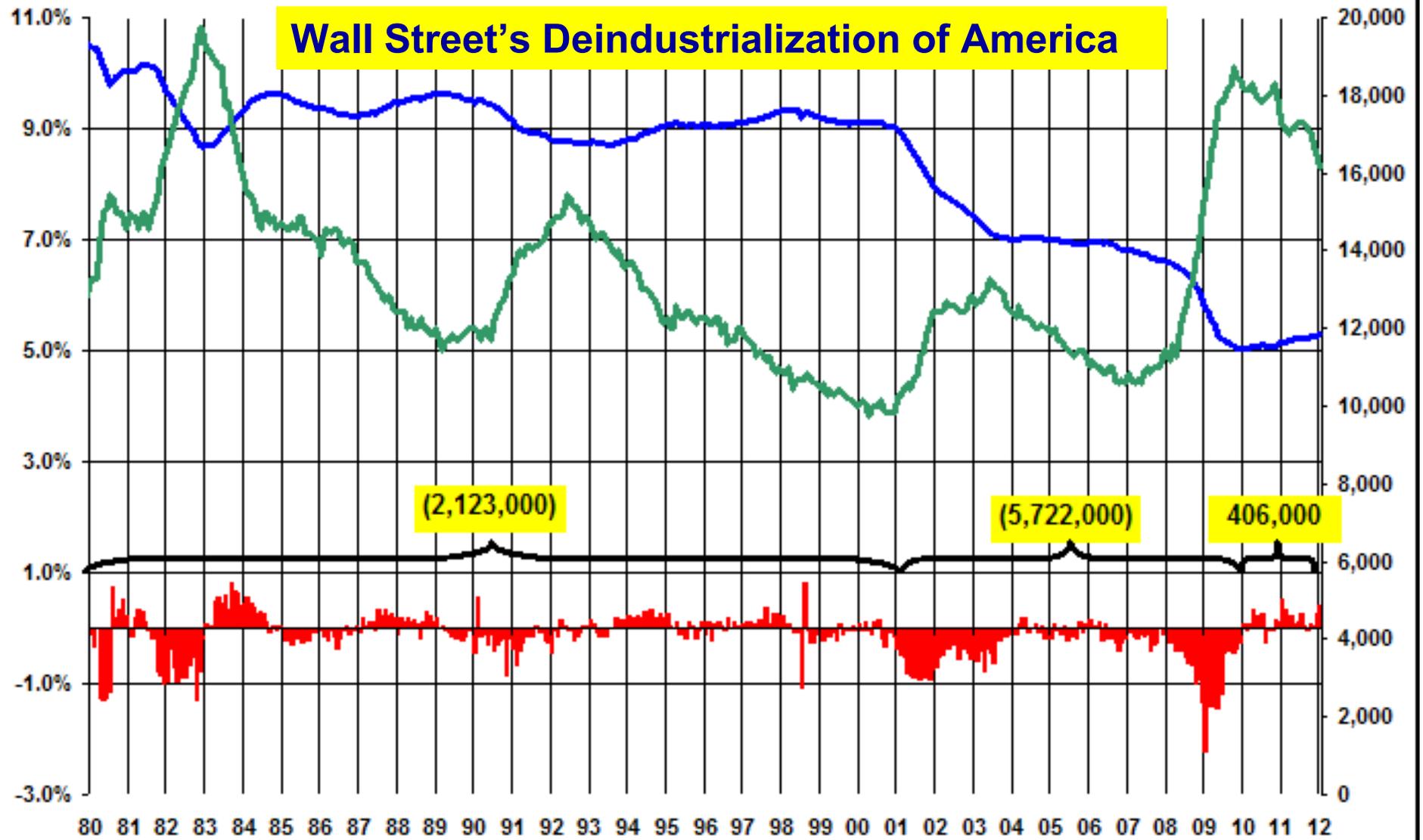
It's about fear over the instability that this transition will bring to the world.

Skyrocketing gold & silver reflect a looming crisis for global supply channels that requires us to think in terms of security of supply.

Because it is a delayed adaptation to a new reality brought about by globalization and the end of the Cold War.

US Manufacturing Jobs

Monthly Job % Change Total Jobs - '000s Unemployment Rate %



Source: Bureau of Labor Statistics

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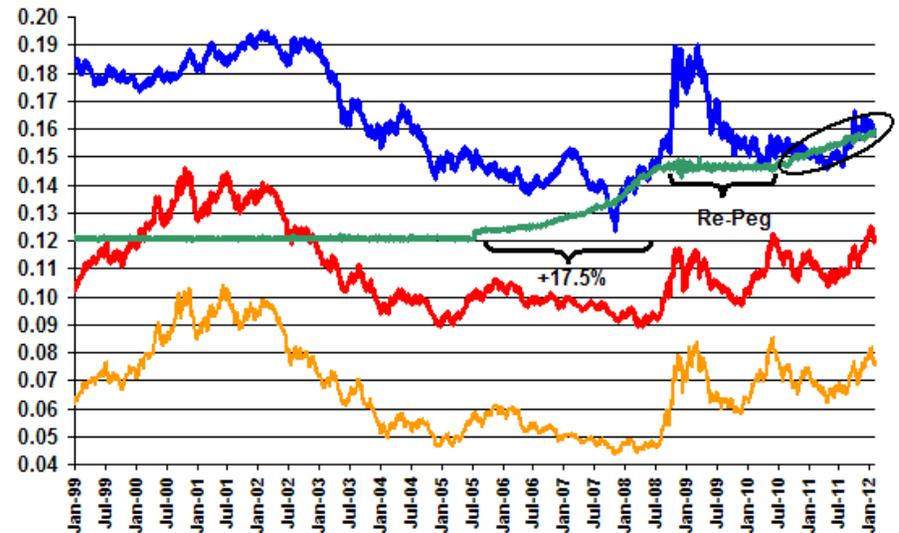
January 2012

The Chinese Anomaly

- Hybrid central command economy with outsourced production
- Cheap Labor – urbanization of 1 billion rural Chinese unleashed by the end of orthodox communism
- 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 renminbi by bankrolling the US trade deficit through the accumulation of US treasury debt
- FDI: foreign direct investment and technology transfer

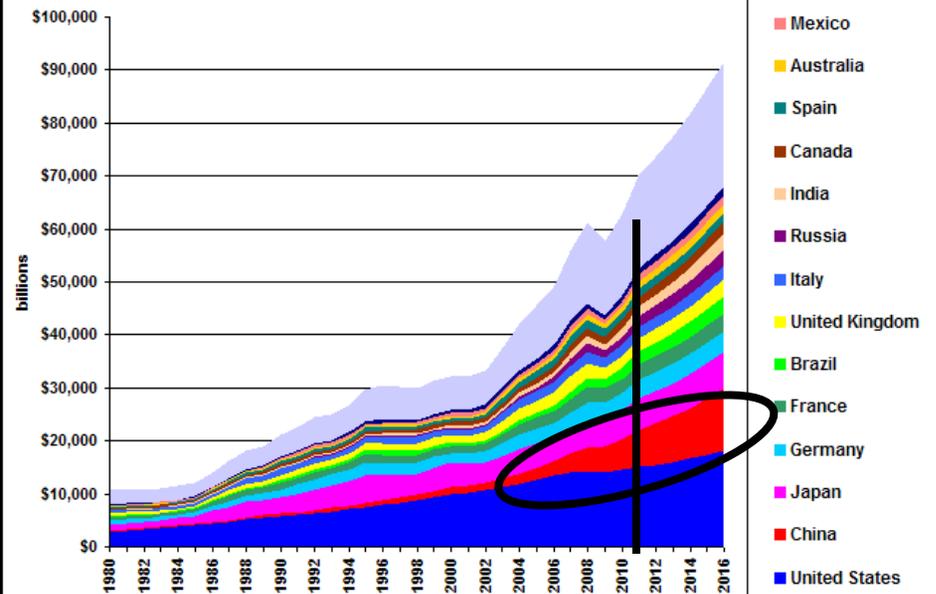
Currency Exchange Rates

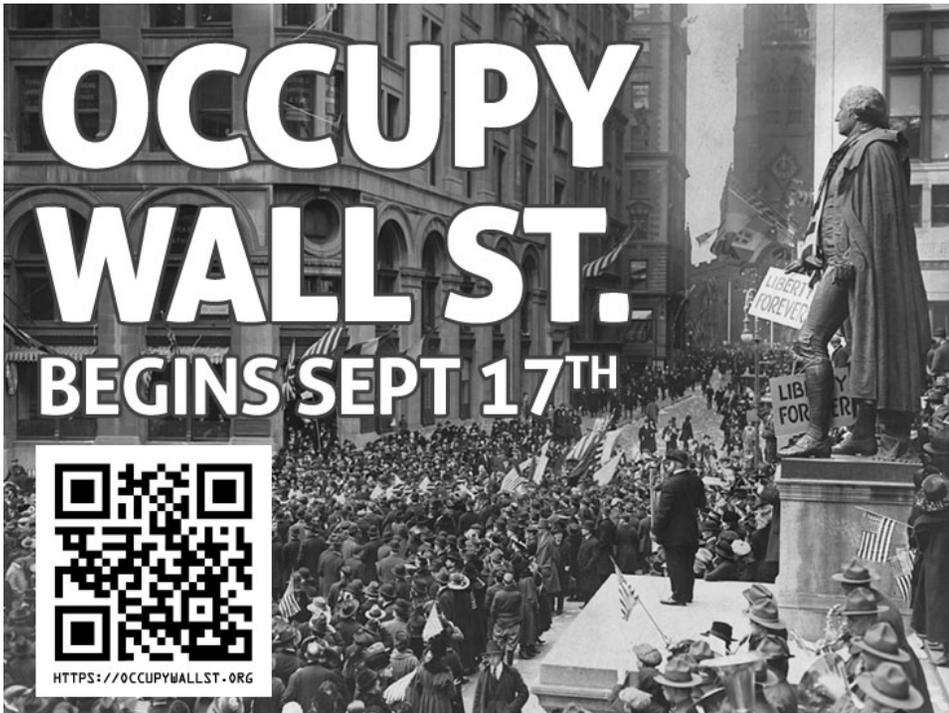
Per Chinese Renminbi (Yuan)
(Downtrend = weakening RMB)



Global GDP Current Dollars

IMF forecasts 2011-2016 (September 2011 WEO)



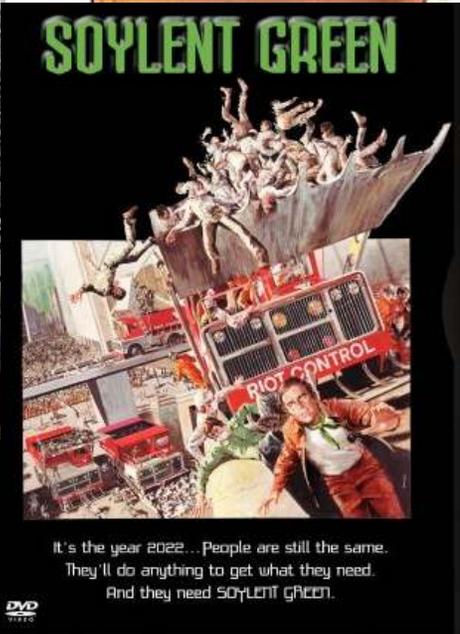
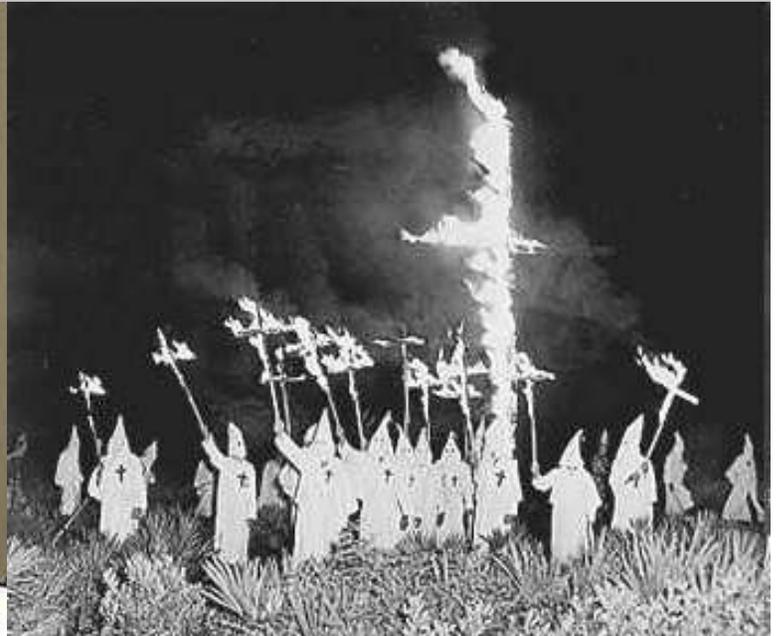


Are you willing to pay the total cost?

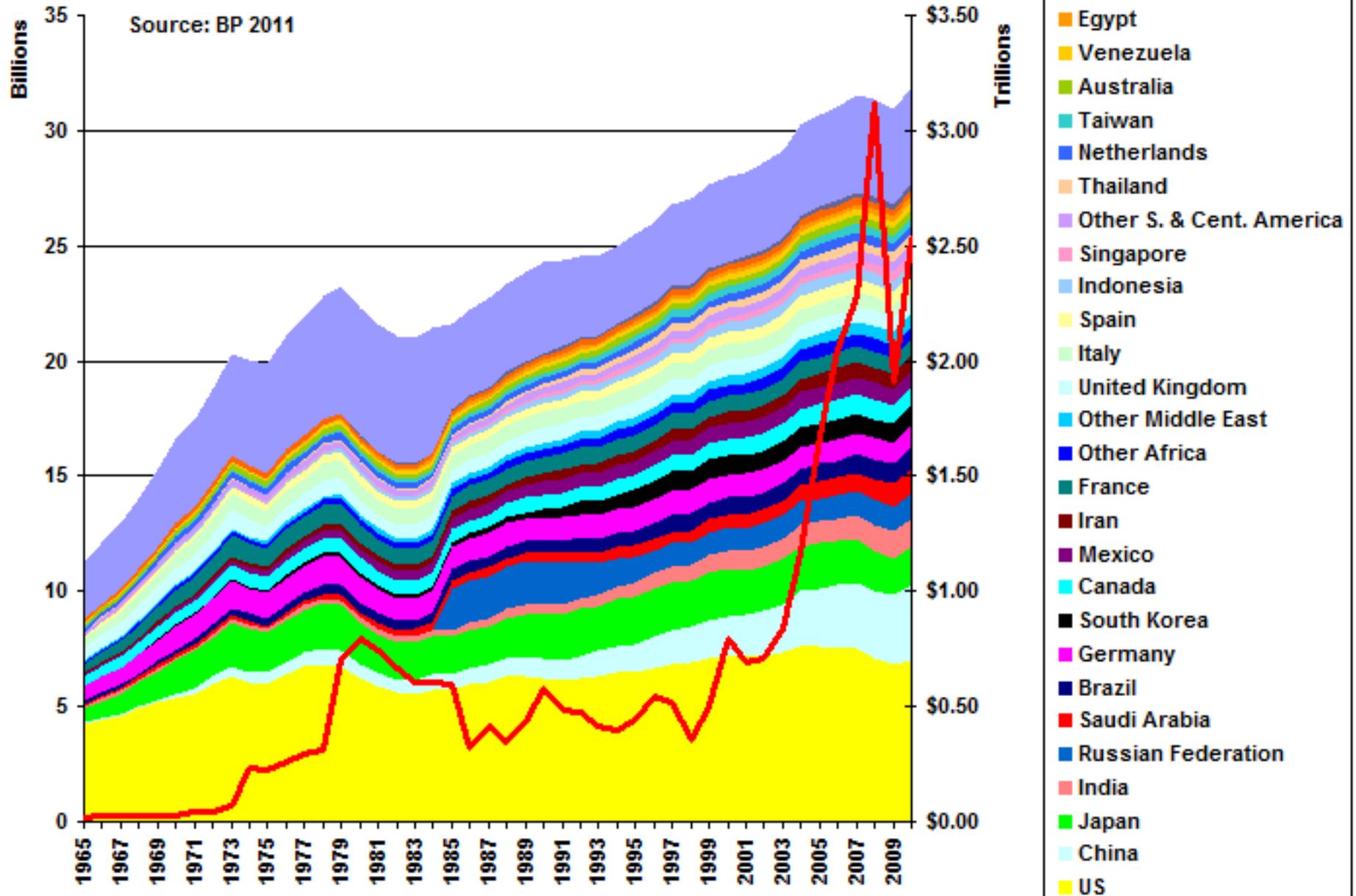


Or are you a Cost Dumper?

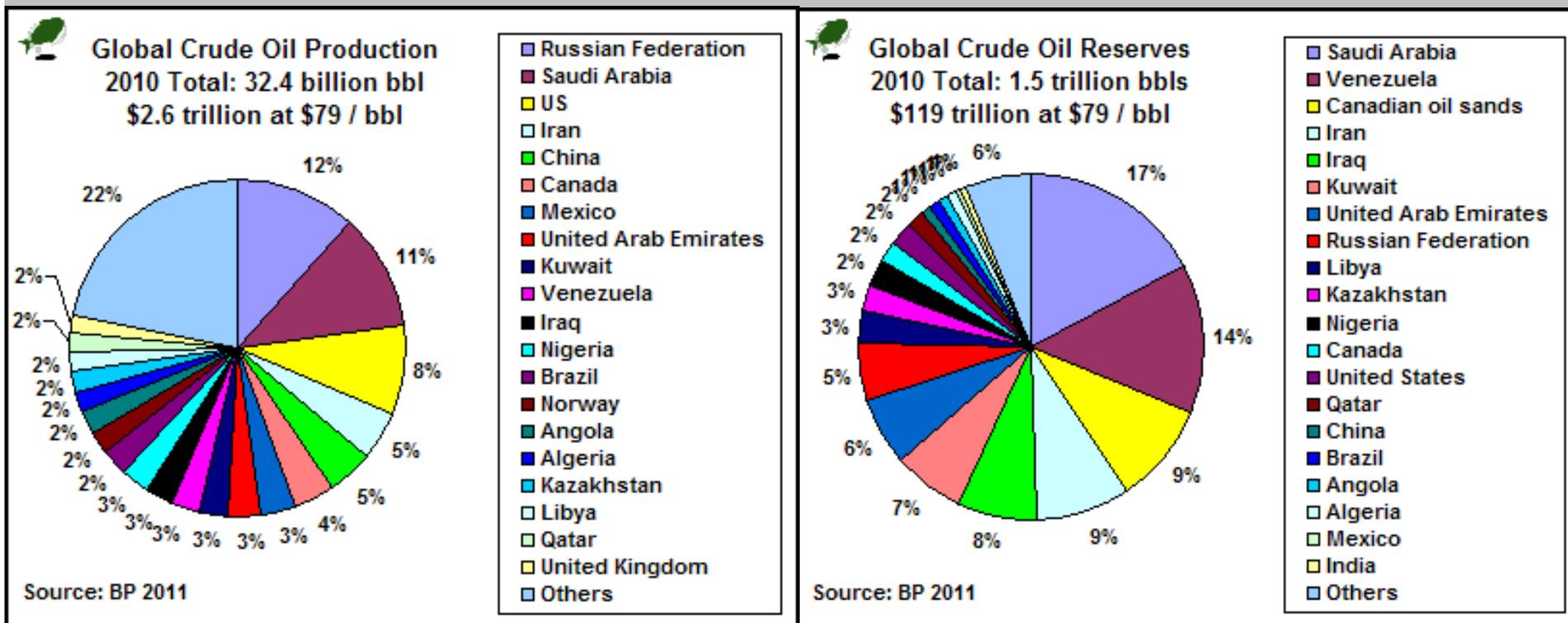
What will become of our children?



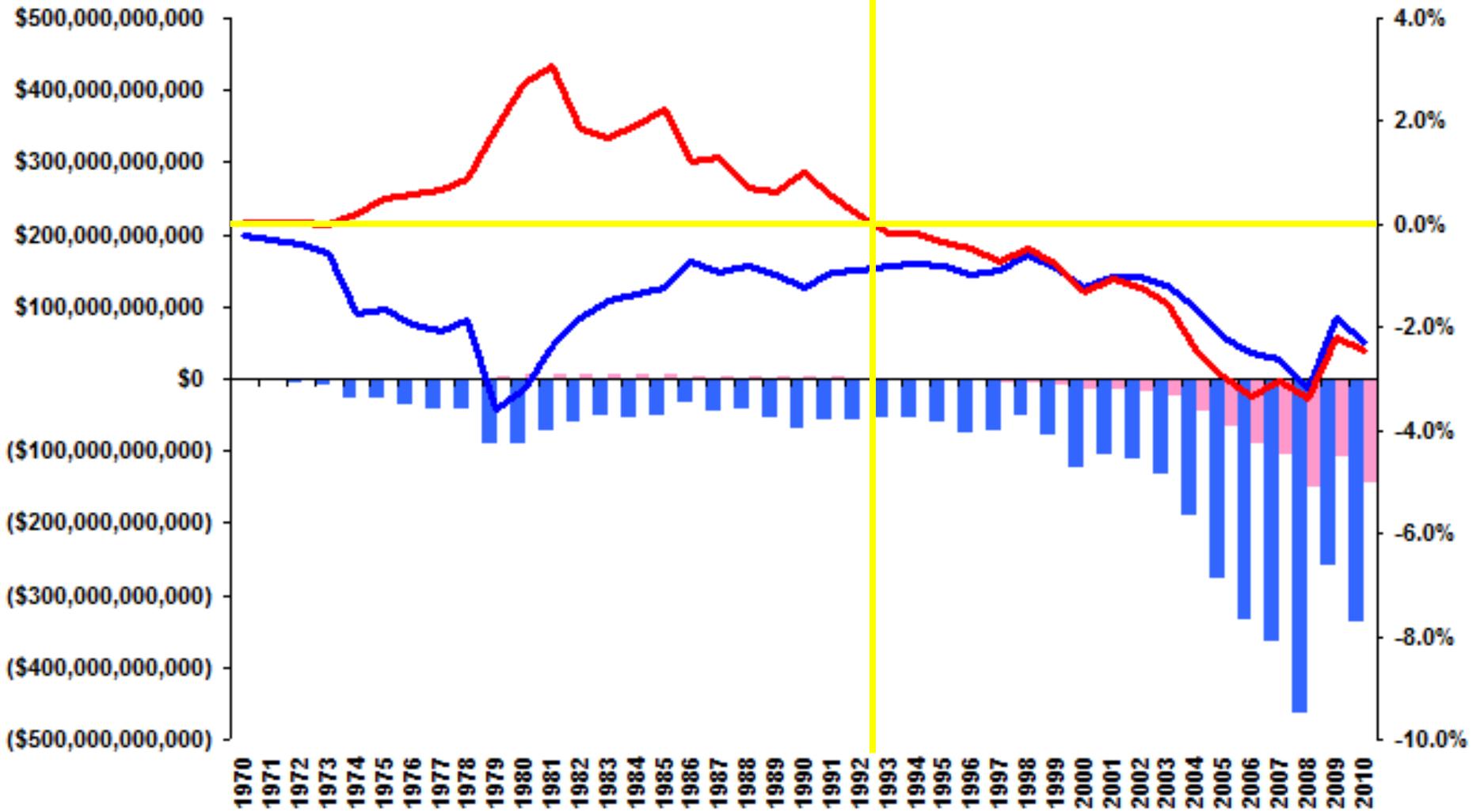
Oil Consumption- barrels per year



Will the Arab Spring boost the flow of crude oil for the whole world, spawn Islamic agenda driven supply allocation strategies, or provide China with easier access once the petrodollar recycling dictators are gone? Can the global economy sustain an oil shock arising from a decision to “neutralize” Iran’s nuclear ambitions?



US and China Oil Import Dependency

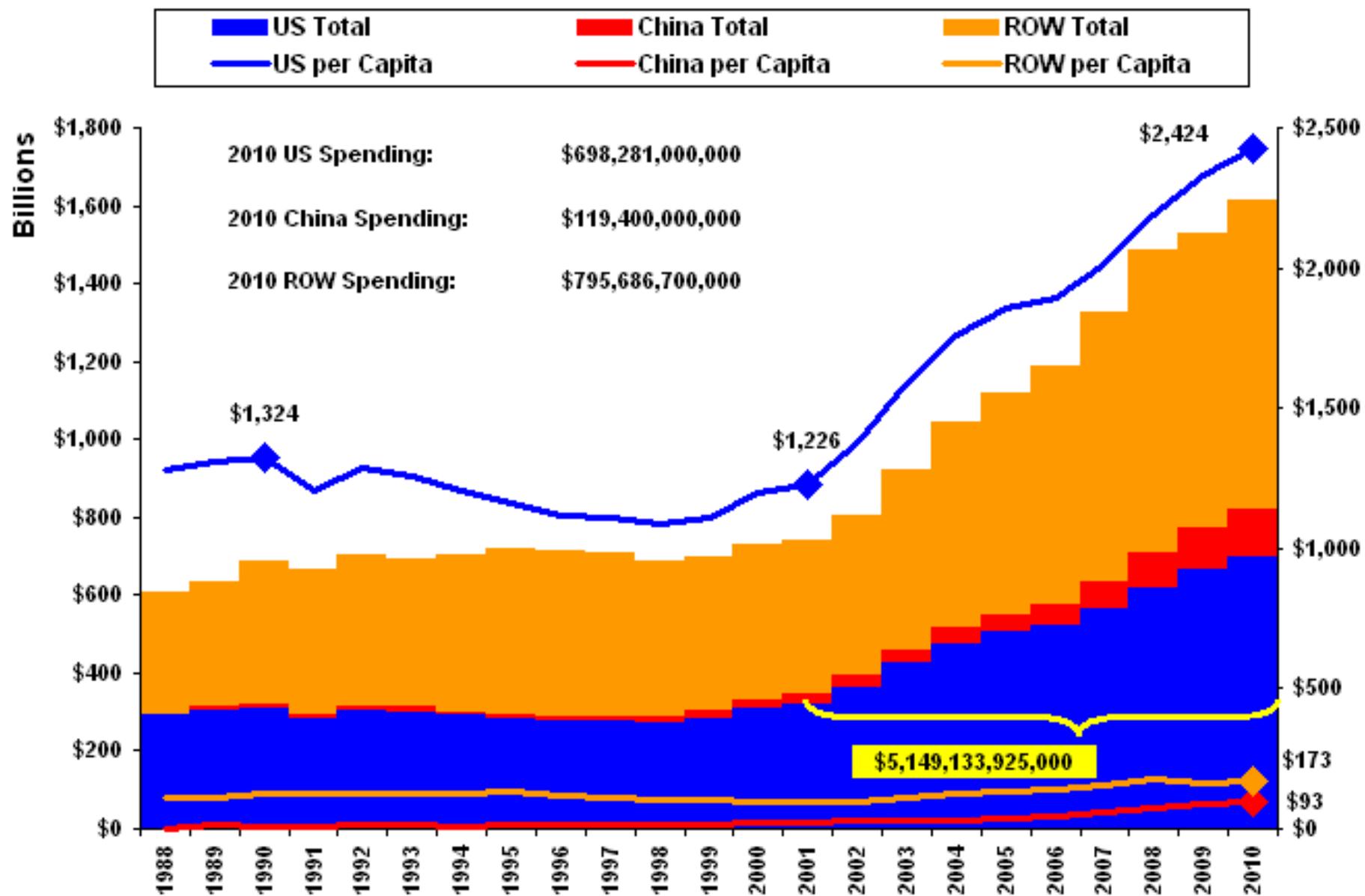


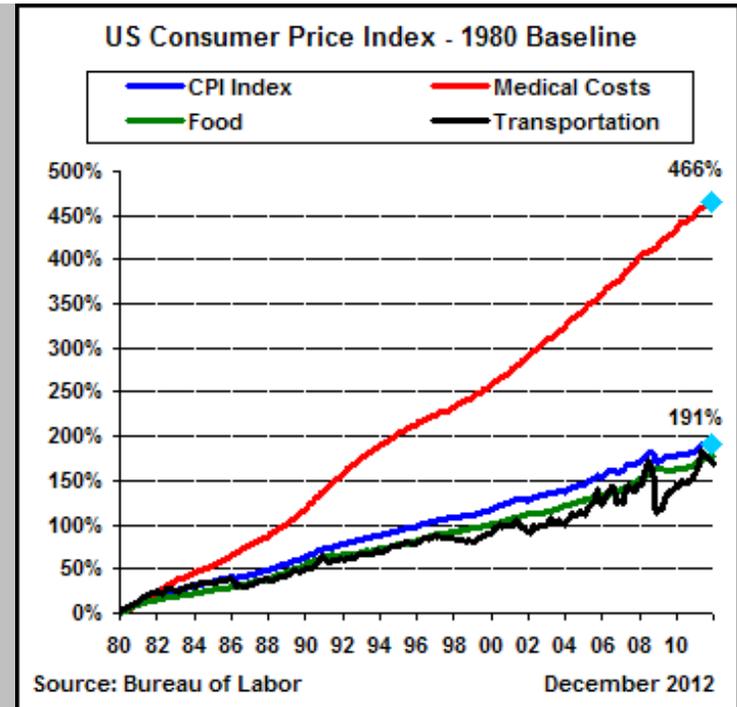
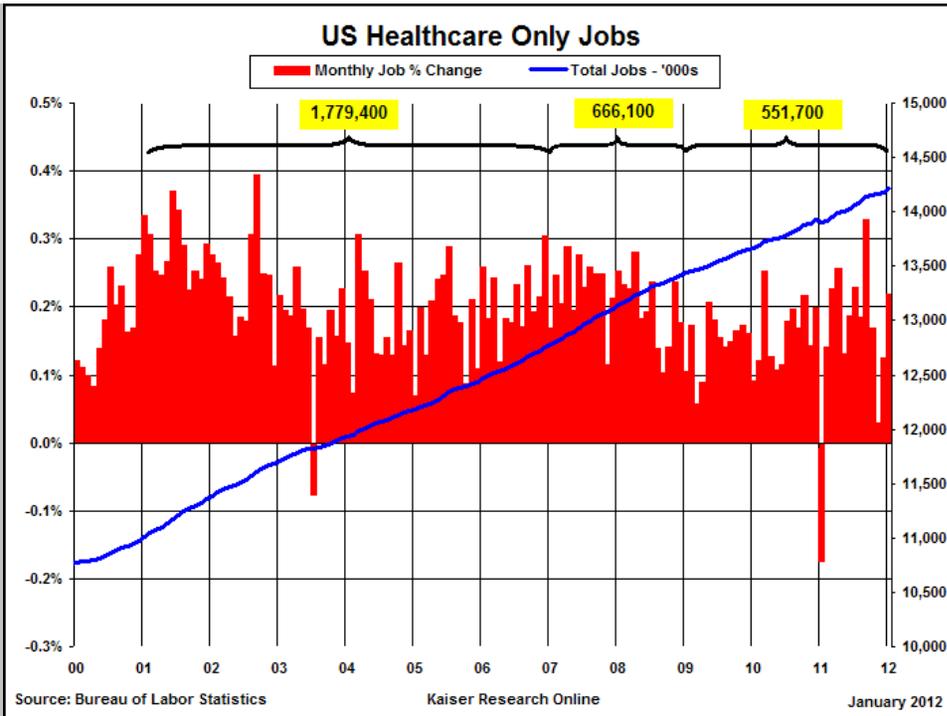
Source: BP 2011

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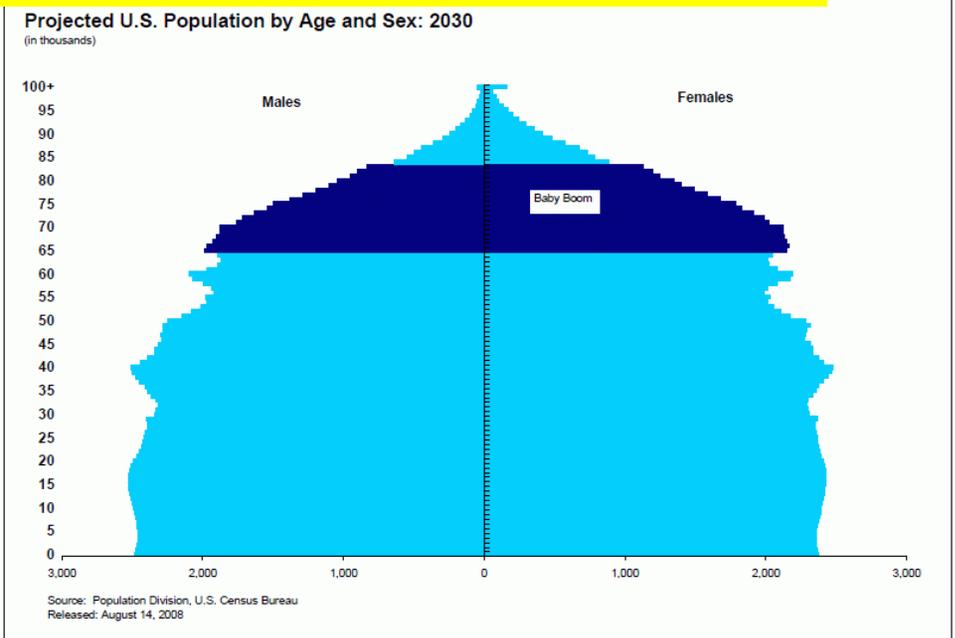
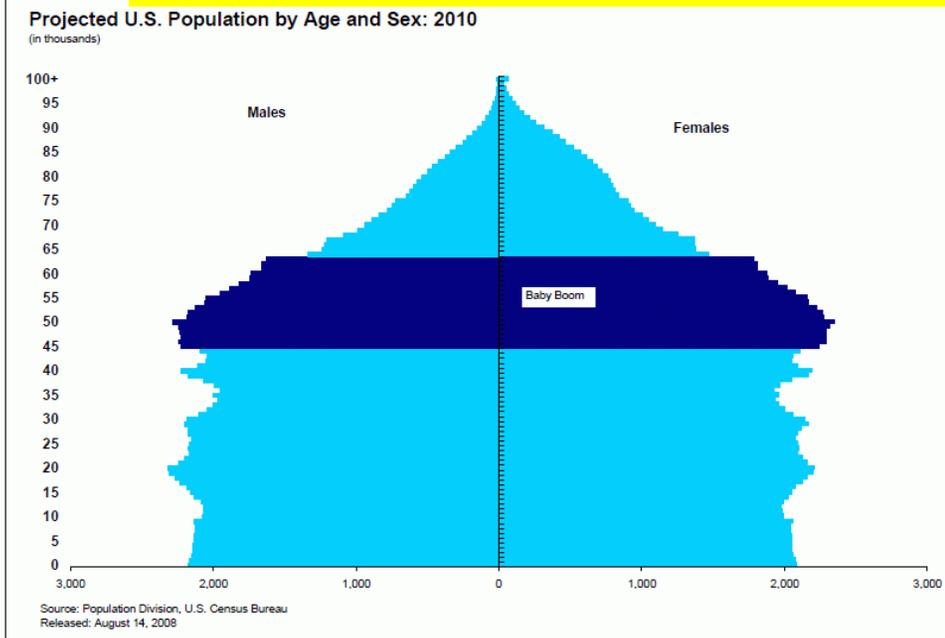
Annual Military Spending

(US figures do not include veterans spending - \$100 billion in 2010)



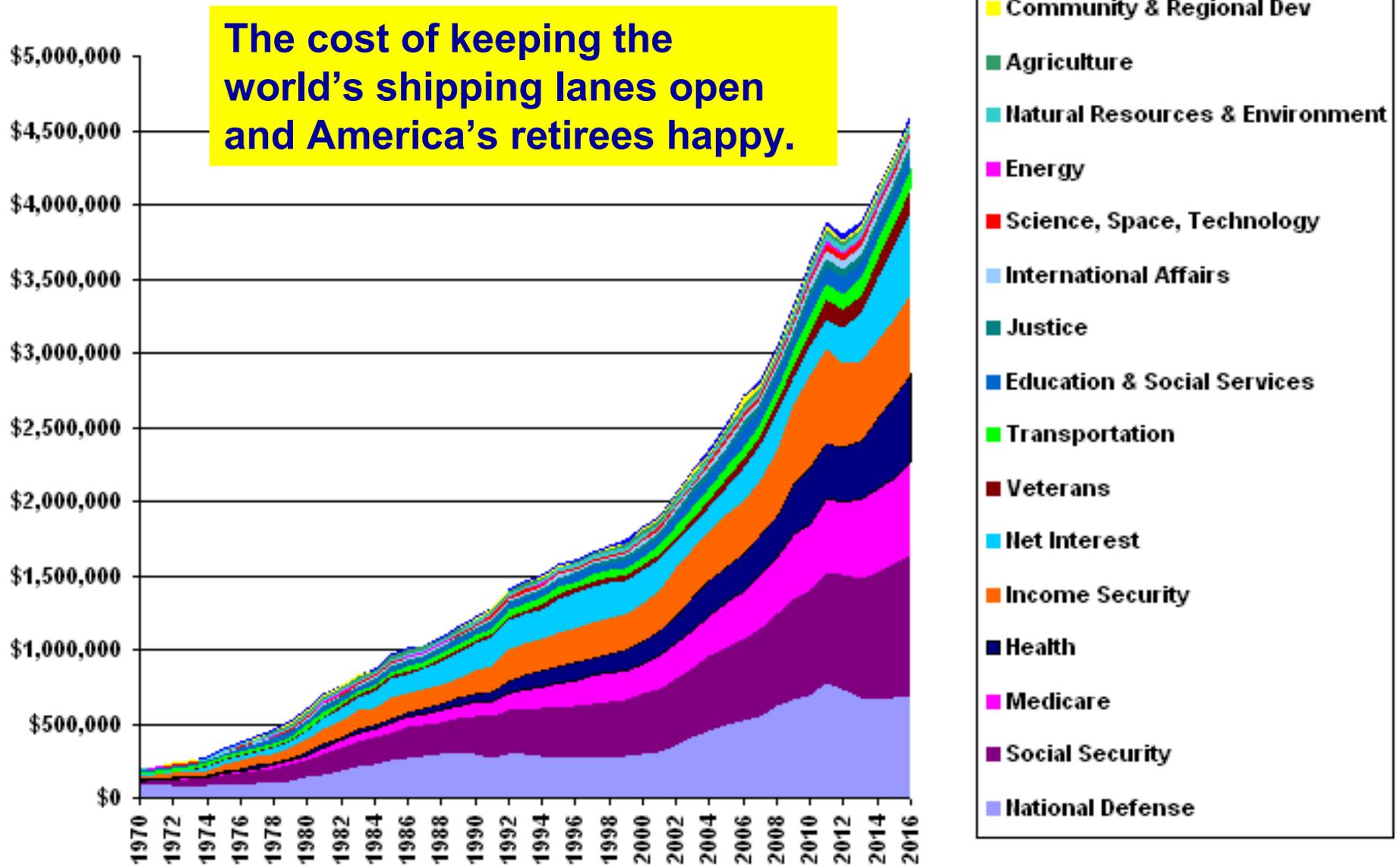


America's Key Problem: the Boomer Bulge & Health Care



US Federal Outlays - millions

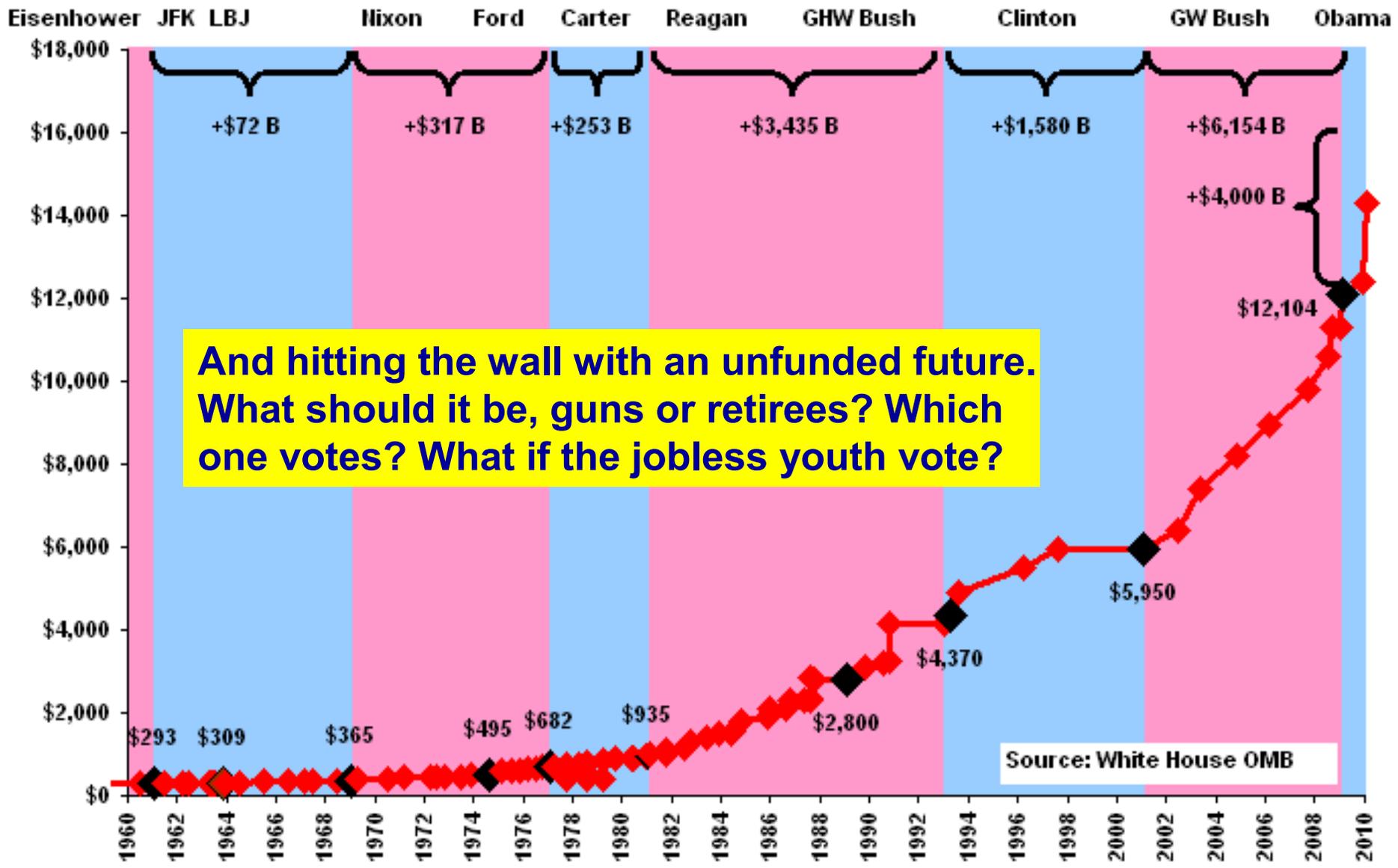
(Estimates for 2011-2016)



Source: Office of Management & Budget

US Debt Ceiling Increases

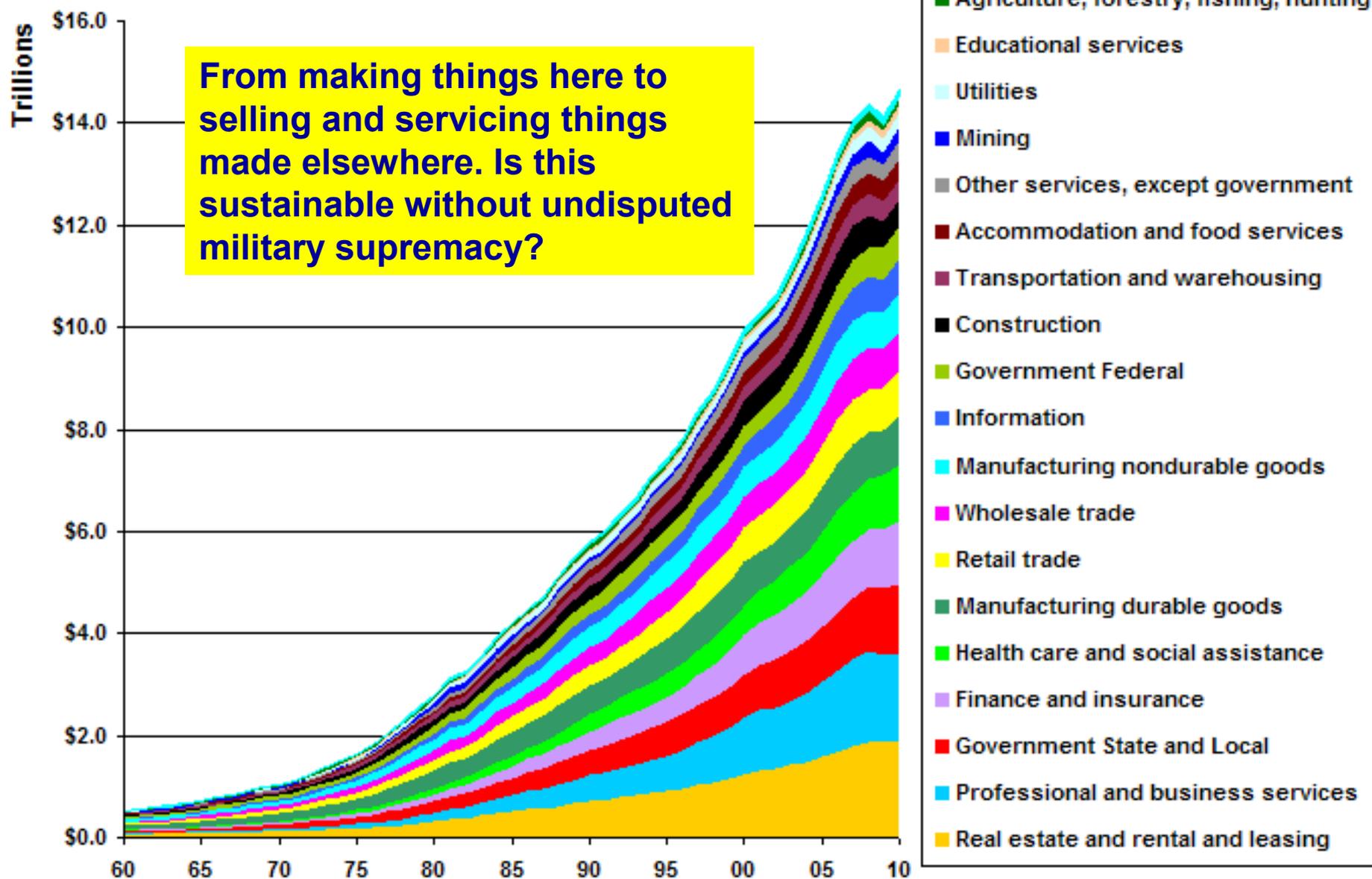
■ Republican President
 ■ Democrat President
 ◆ Debt Ceiling



And hitting the wall with an unfunded future.
 What should it be, guns or retirees? Which
 one votes? What if the jobless youth vote?

Source: White House OMB

US GDP thru 2010

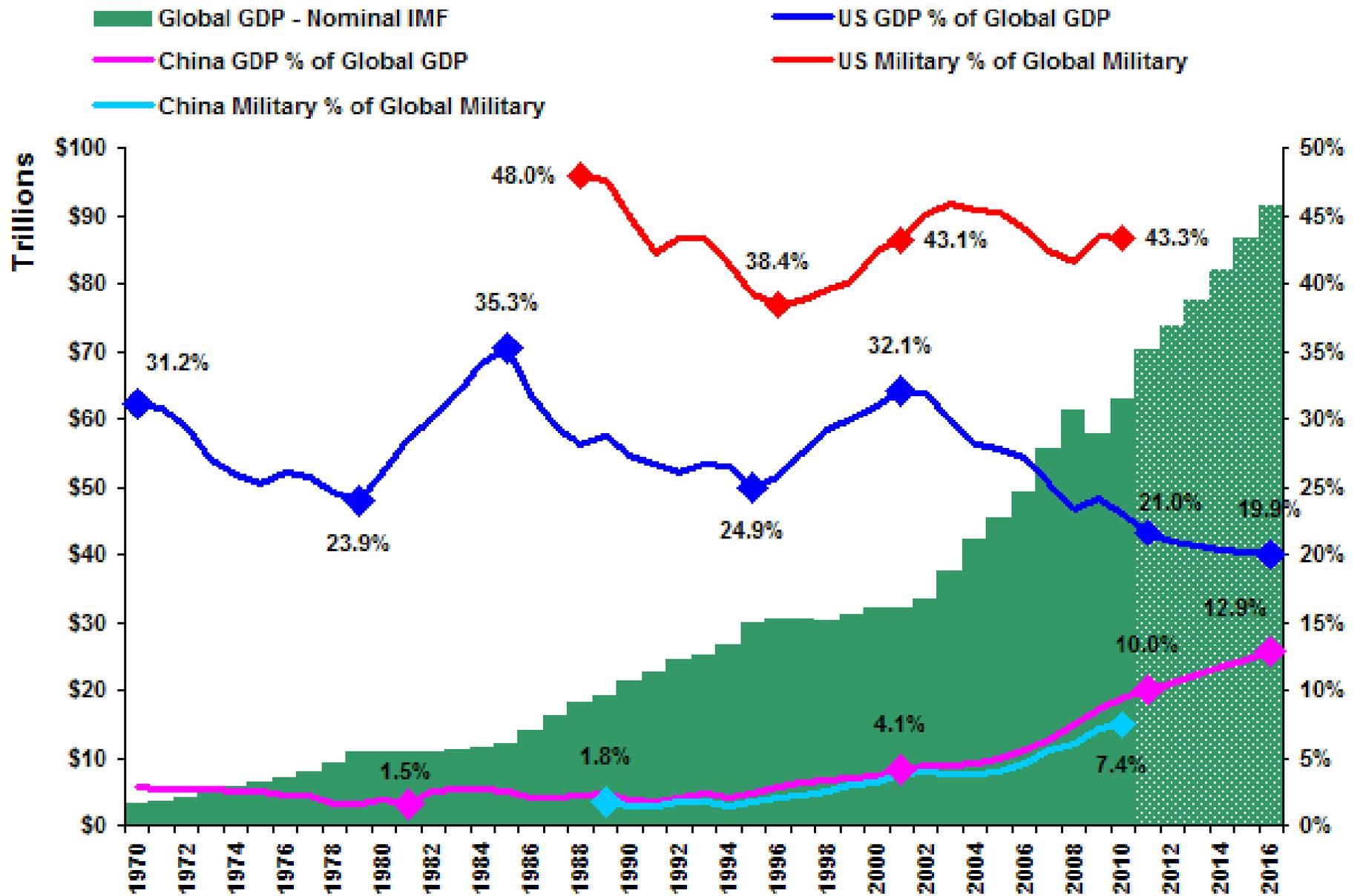


Source: Bureau of Economic Analysis

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US & China Relative Percentage of Global GDP & Military Spending

(2011-2016 GDP estimates by IMF)



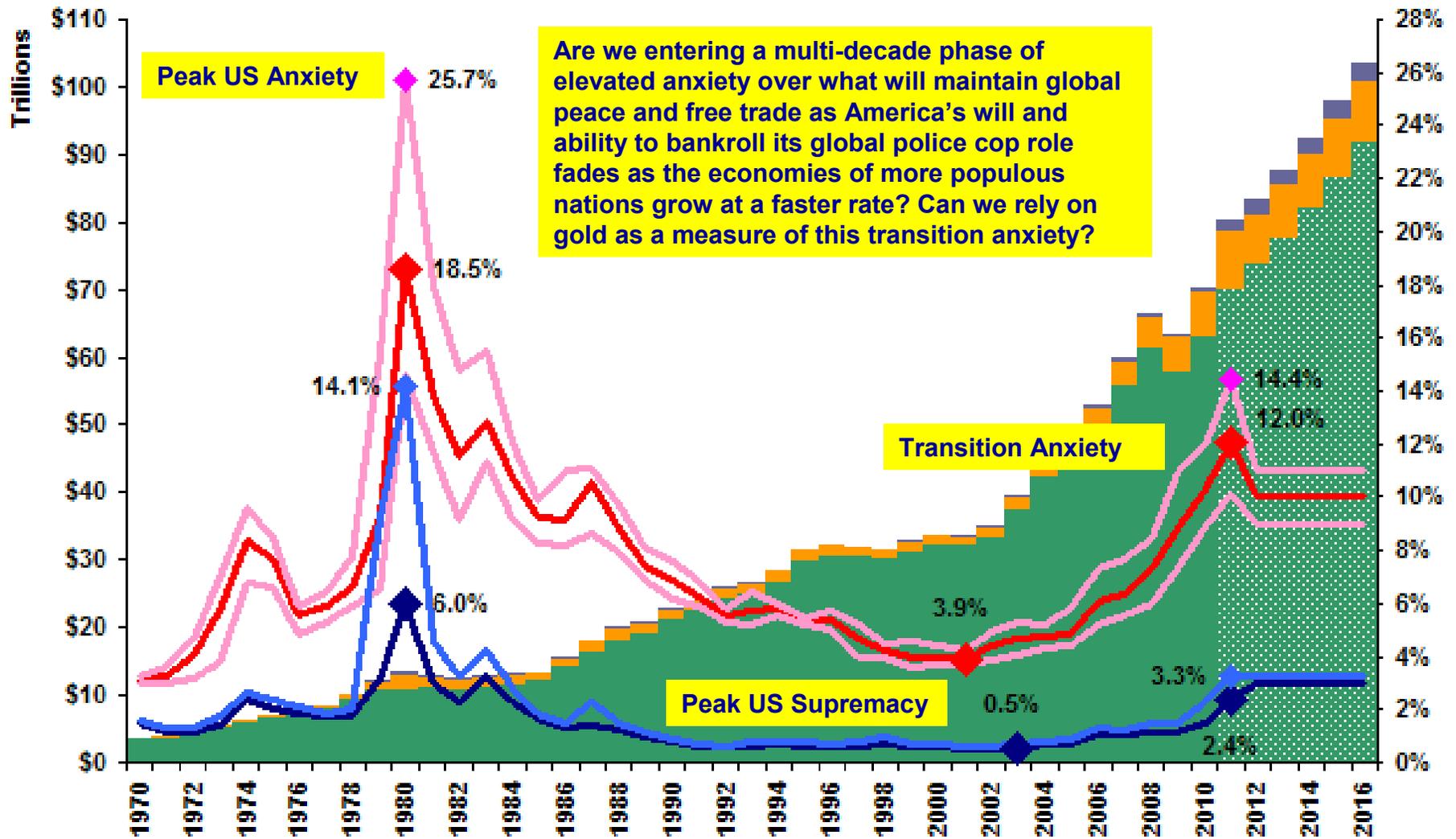
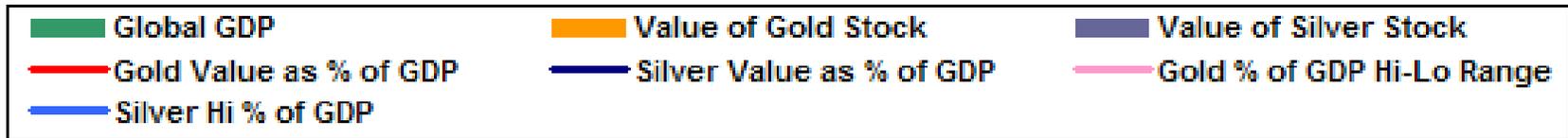
Source: IMF, SIPRI, World Bank

February 2012

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Relationship between Global GDP and Value of Existing Gold & Silver Stock

(2011 GDP & Mine Supply estimated - Au \$1,570/oz Ag \$35/oz average)





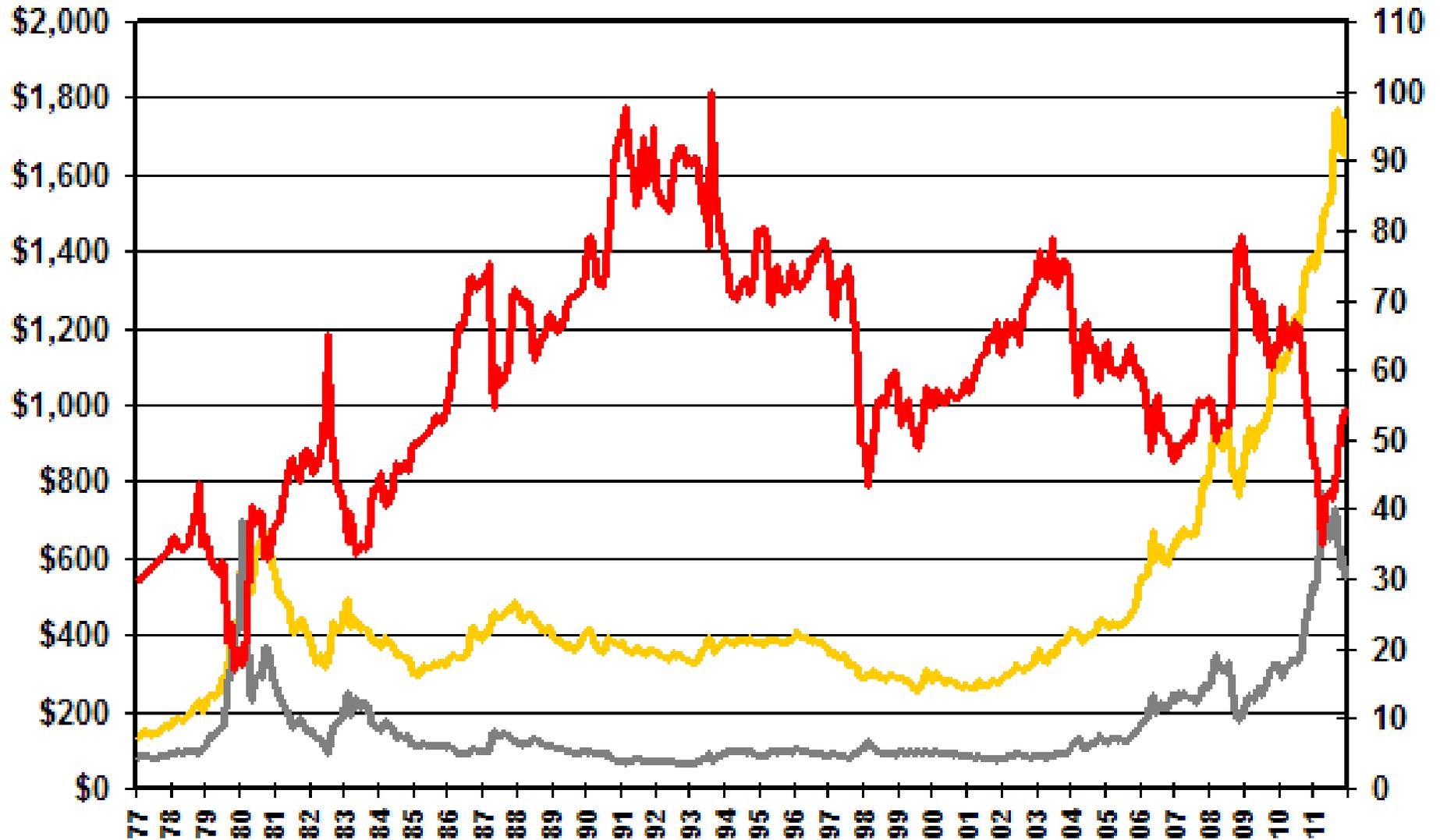
Gold:Silver Ratio

Au:Ag Ratio & Ag \$ share right

Gold Monthly Average

Silver Monthly Average

Gold:Silver Price Ratio

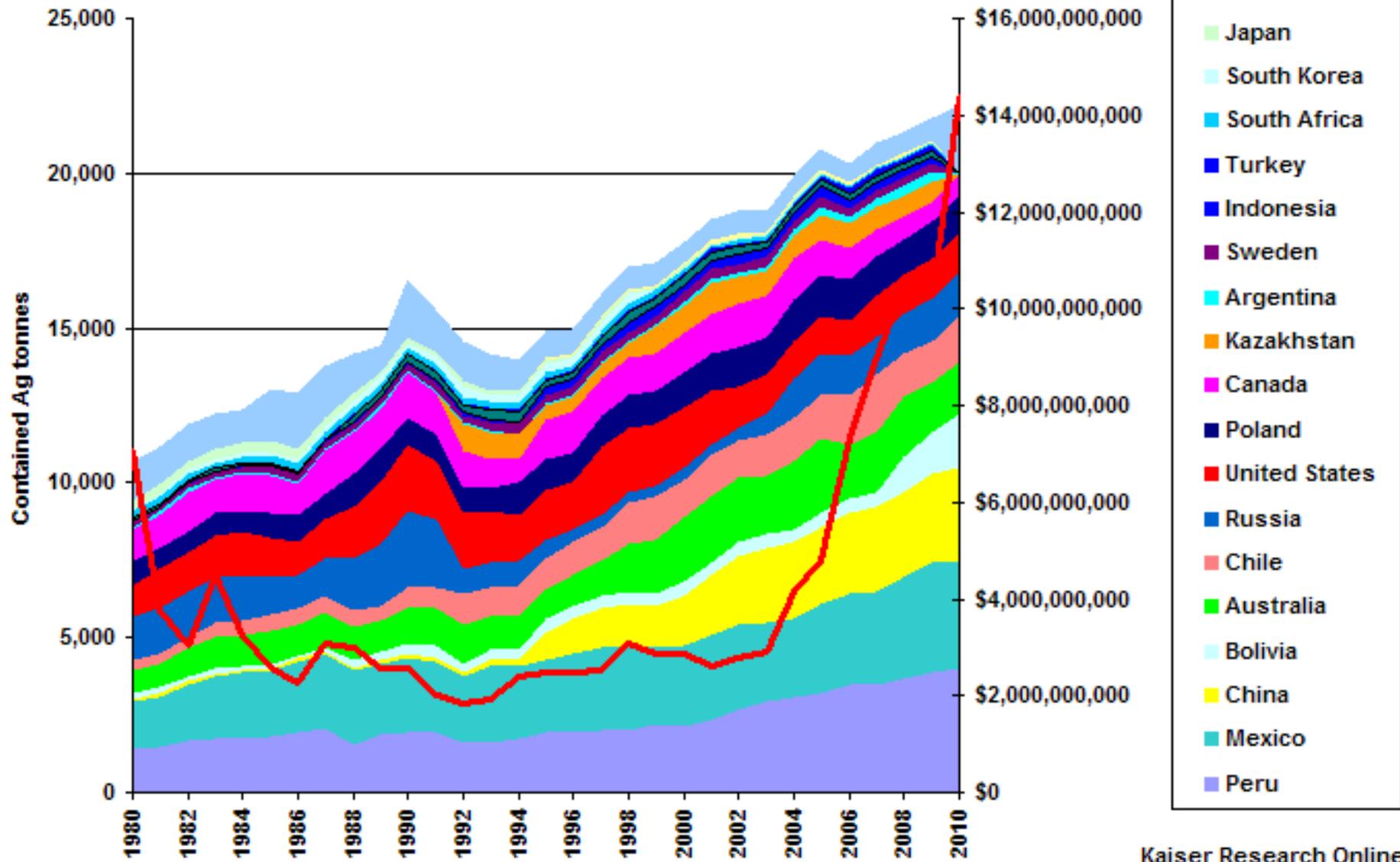




Annual Silver Production

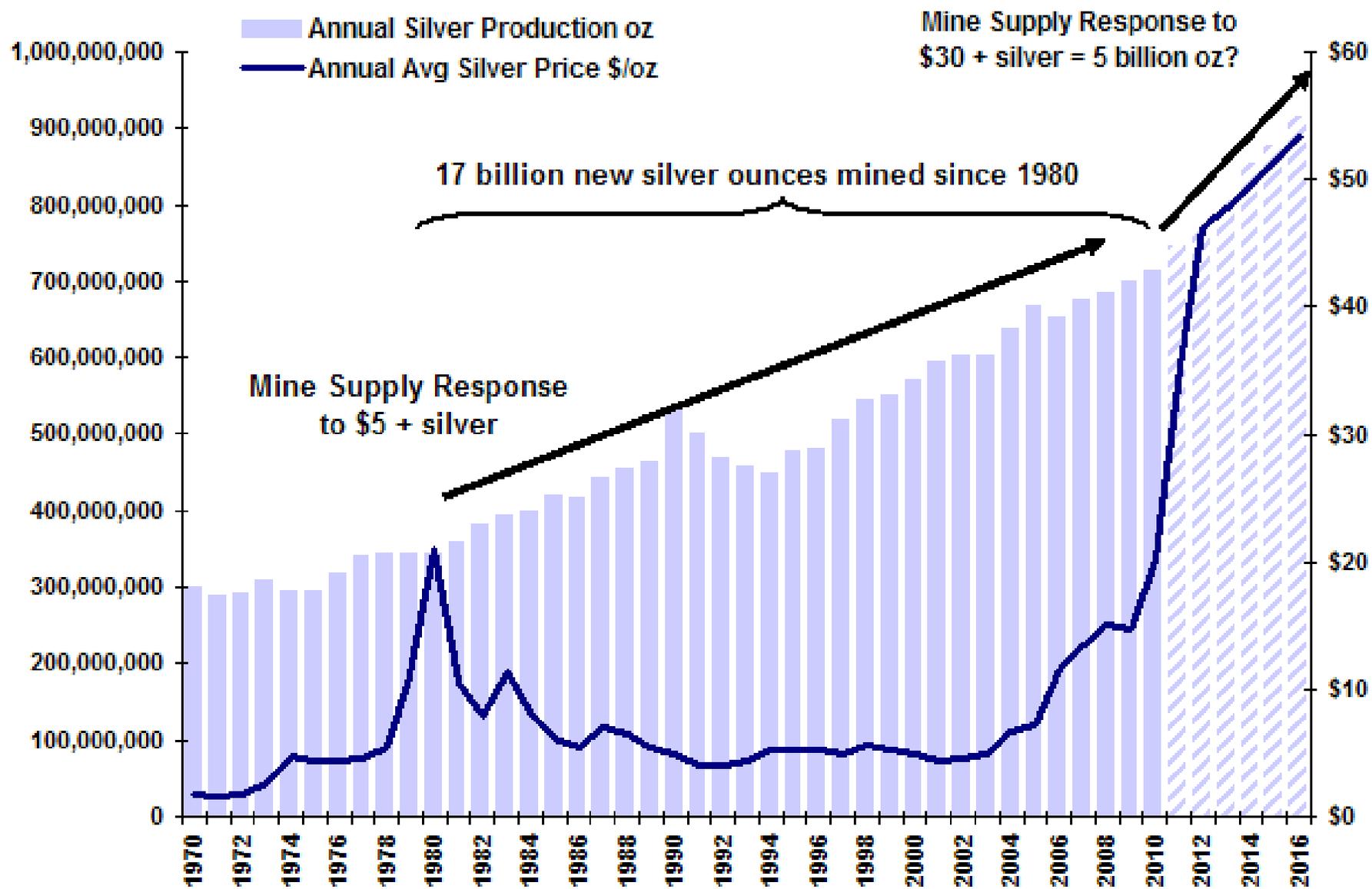
Production Data Source: USGS

Annual Production Value based on average annual silver price



Annual Mine Supply - Silver Ounces

(17 billion oz added to 30.2 billion oz stock from 1980-2011, 2011+ CPM projections)



Source: USGS, CPM

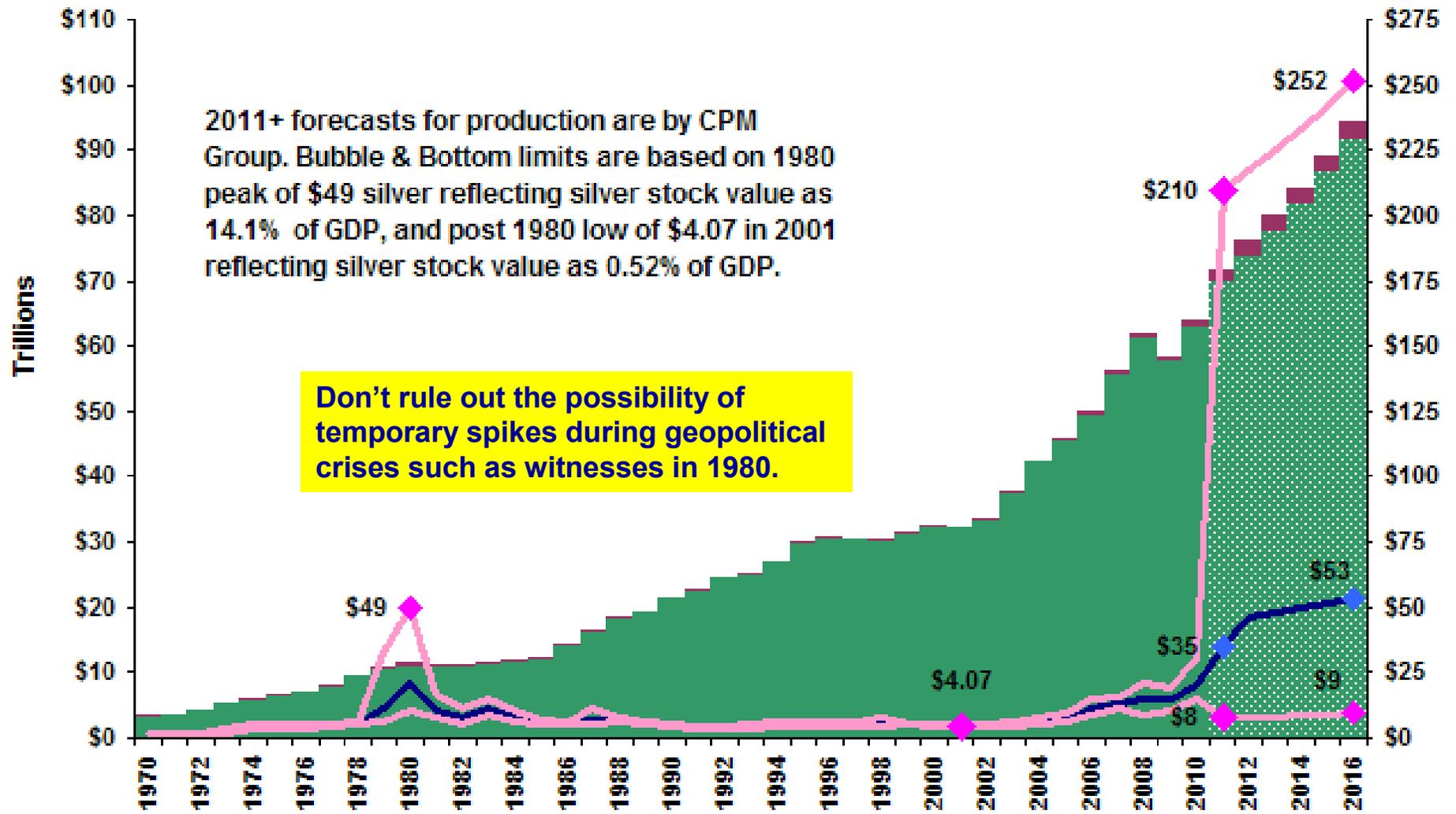
February 2012

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Past Peak & Bottom Based Bubble & Bear Limits for Silver

(2011+ GDP & Mine Supply estimated)

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

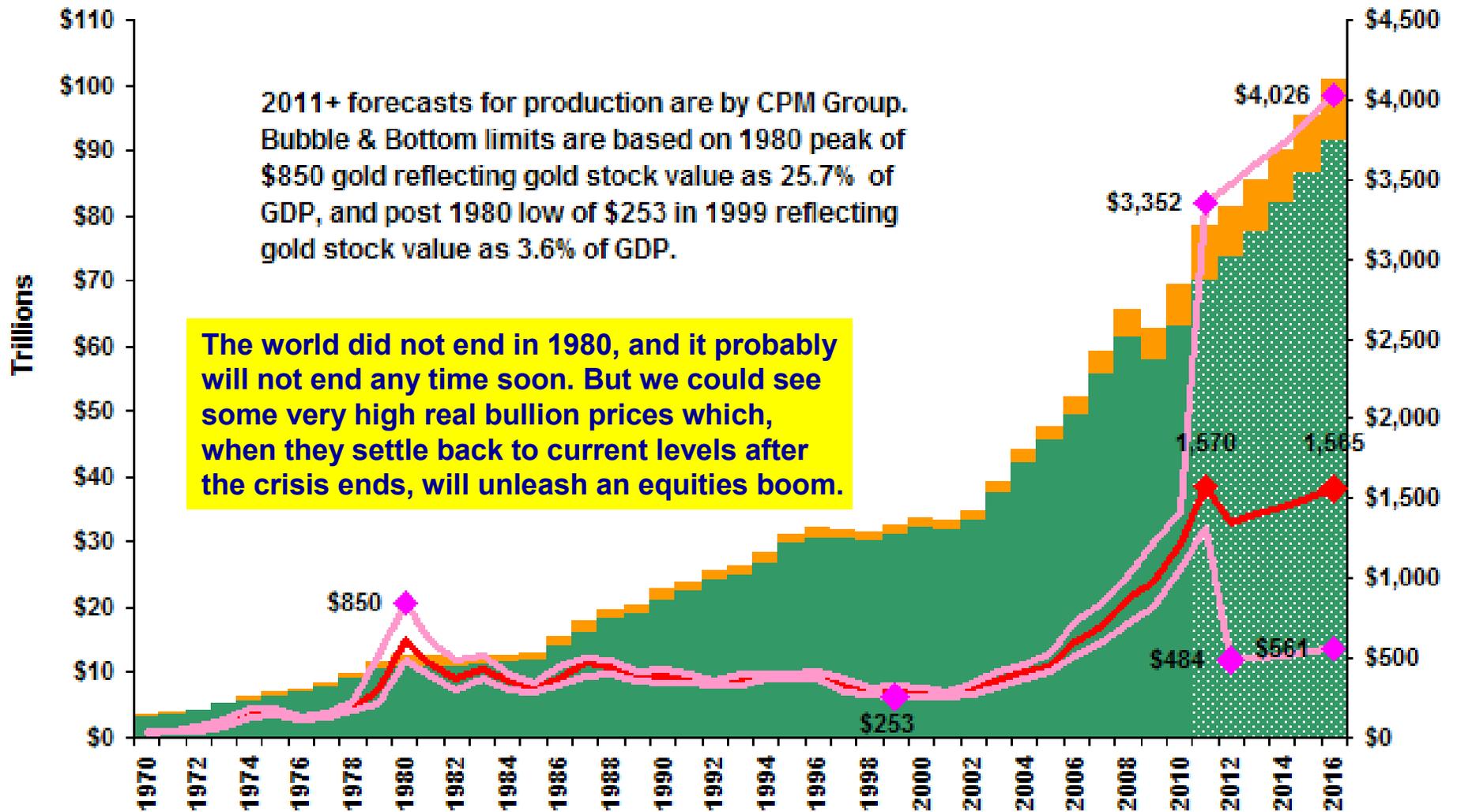


Don't rule out the possibility of temporary spikes during geopolitical crises such as witnesses in 1980.

Past Peak & Bottom Based Bubble & Bear Limits for Gold

(2011 GDP & Mine Supply estimated - \$1,570/oz average)

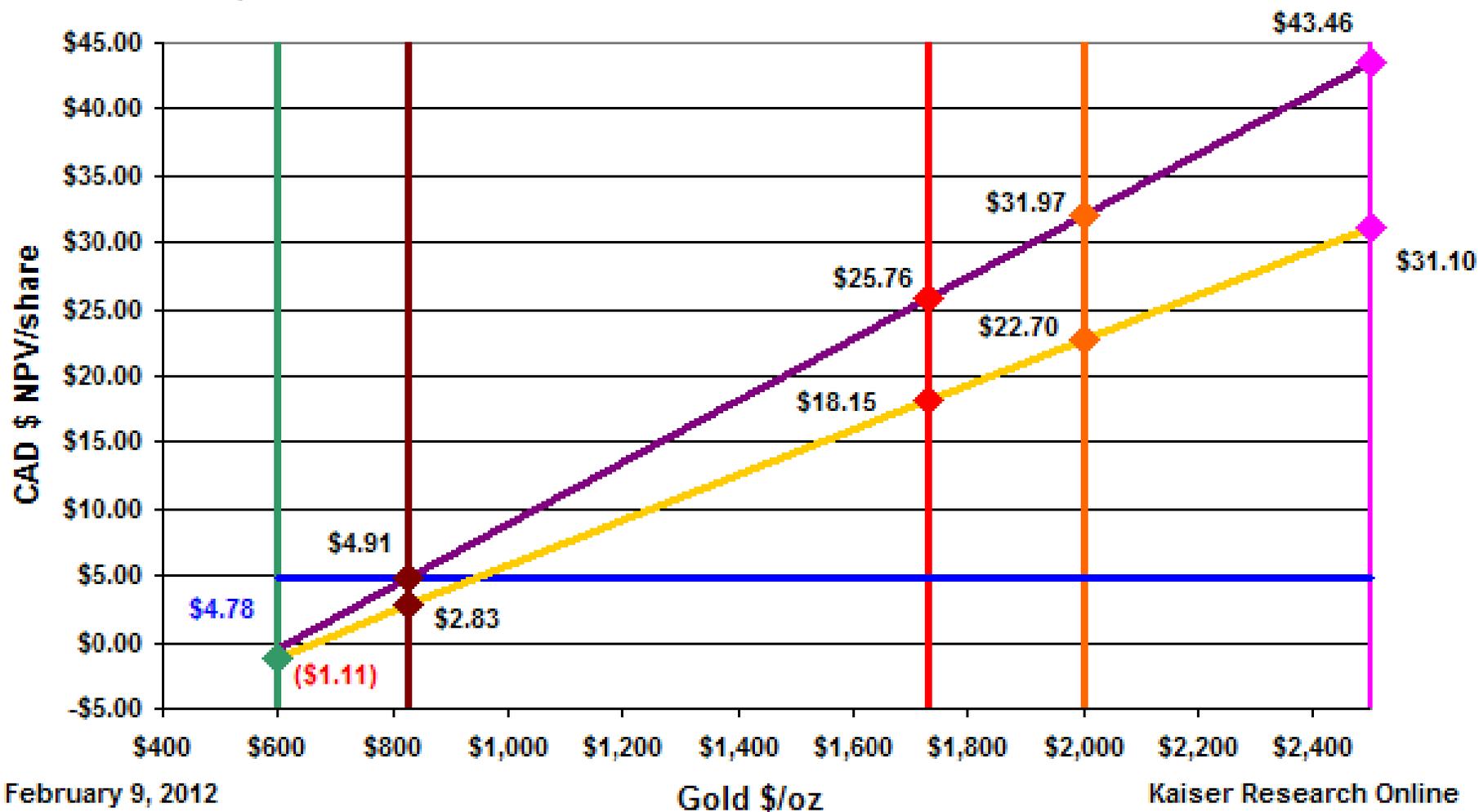
- Global GDP
- Value of Gold Stock
- Average Gold Price
- Yearly Hi-Lo Range



Brett - Hammond Reef - After Tax NPV Sensitivity

- Pessimistic - \$600/oz Au
- Base Case - \$825/oz Au
- Current - \$1,730/oz Au
- Optimistic - \$2,000/oz Au
- Fantasy - \$2,500/oz Au
- Current Stock Price - \$4.78
- Share vs \$/oz Au at 10% Disc Rate
- Share vs \$/oz Au at 5% Disc Rate

2009 PEA: - 50,000 tpd open pit flotation, 366,000 oz Au annually
 CapEx \$614 M, OpEx \$9.23/t, 14 year mine life, optimized
 Inferred Sulphide - 243,440,000 tonnes @ 0.7 g/t Au
 114.5 M fully diluted, 25% tax, exch 1:1 USD:CAD
 Taken over Aug 13, 2010 by Osisko 1 BBR:0.34 OSK - \$547 M
 Location: Ontario, Canada - 100% net interest



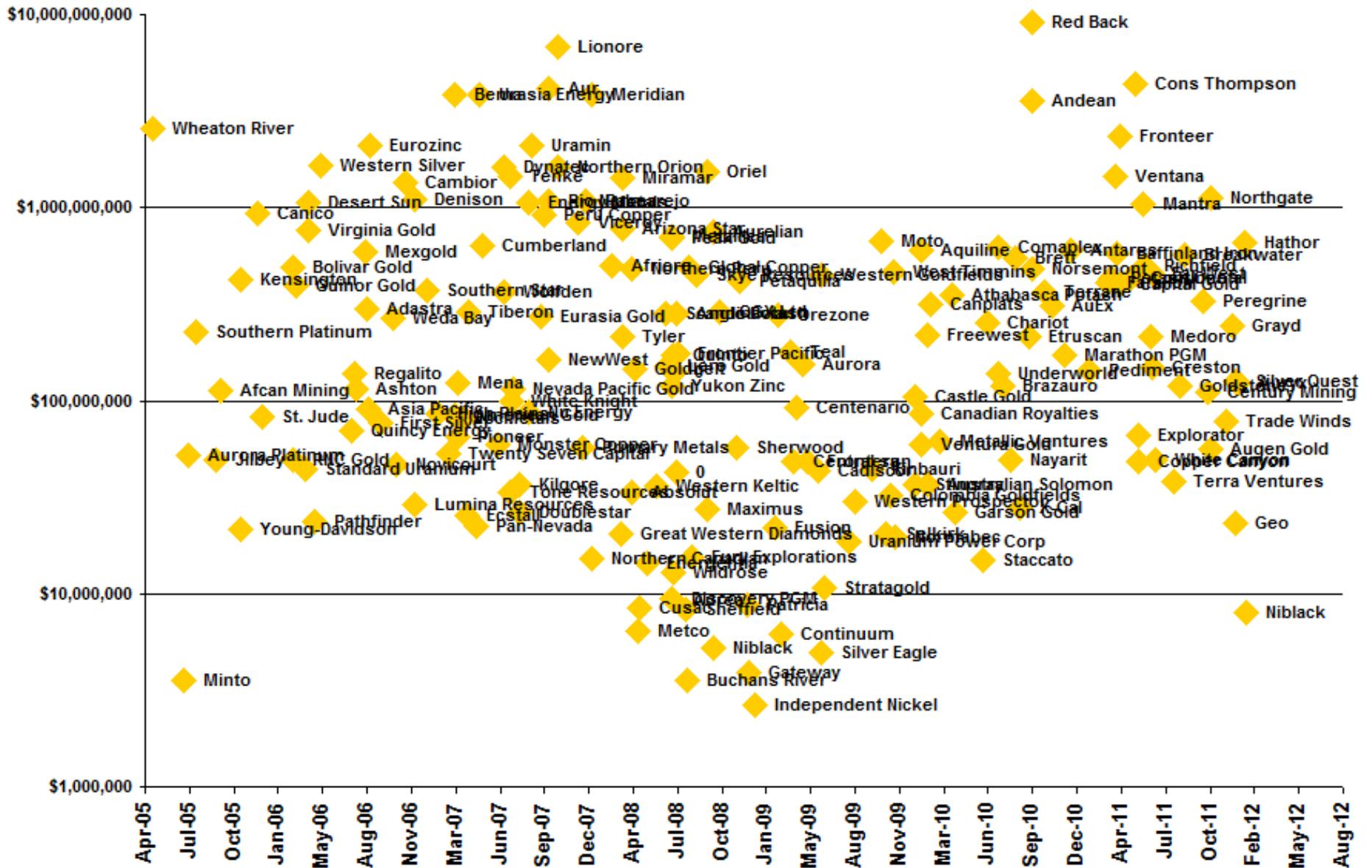
February 9, 2012

Gold \$/oz

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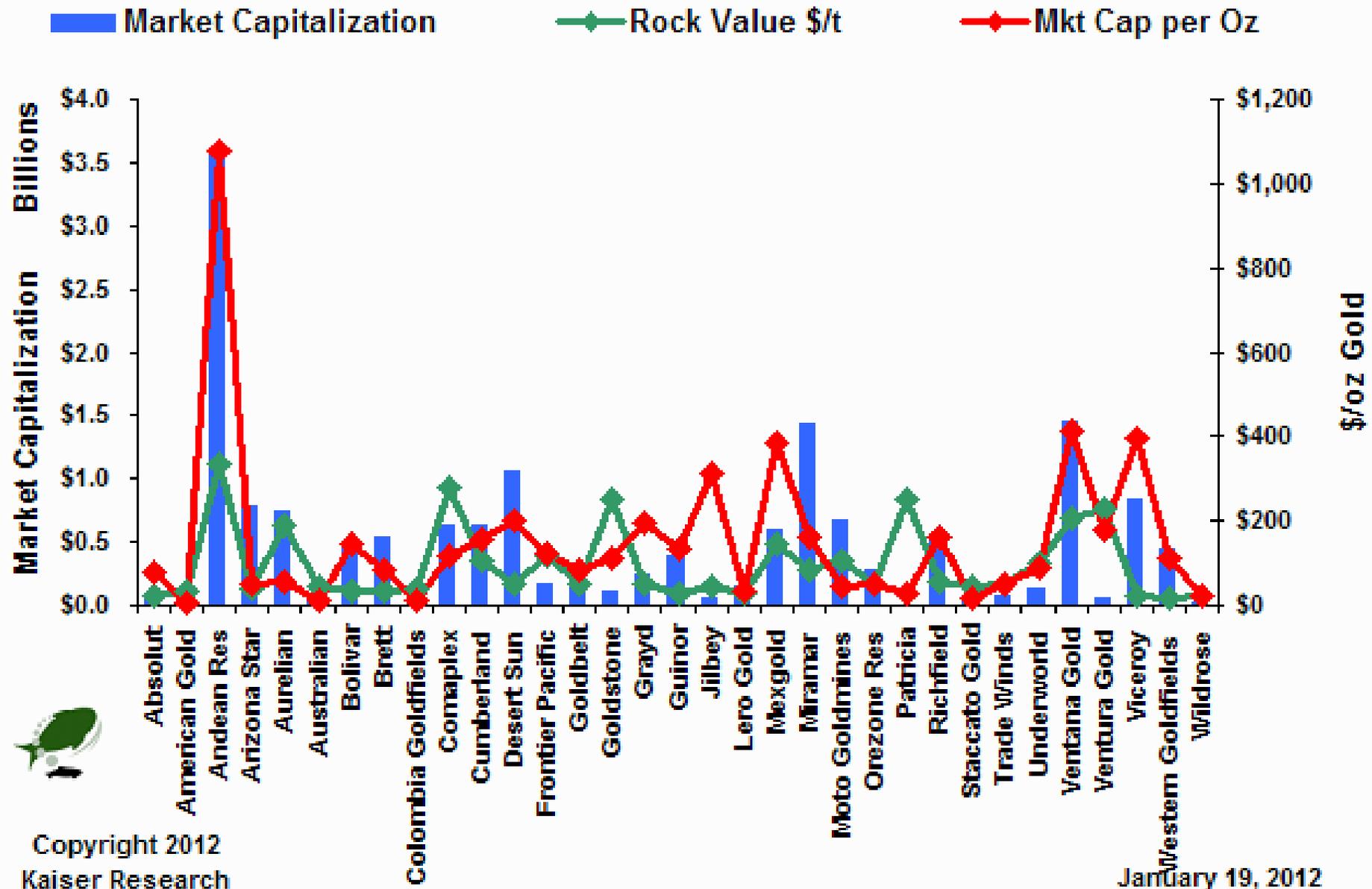
Value of Takeover Bids - \$100 billion - 185 Juniors (2005-2011)

\$38 billion 78 juniors (2009-2011)



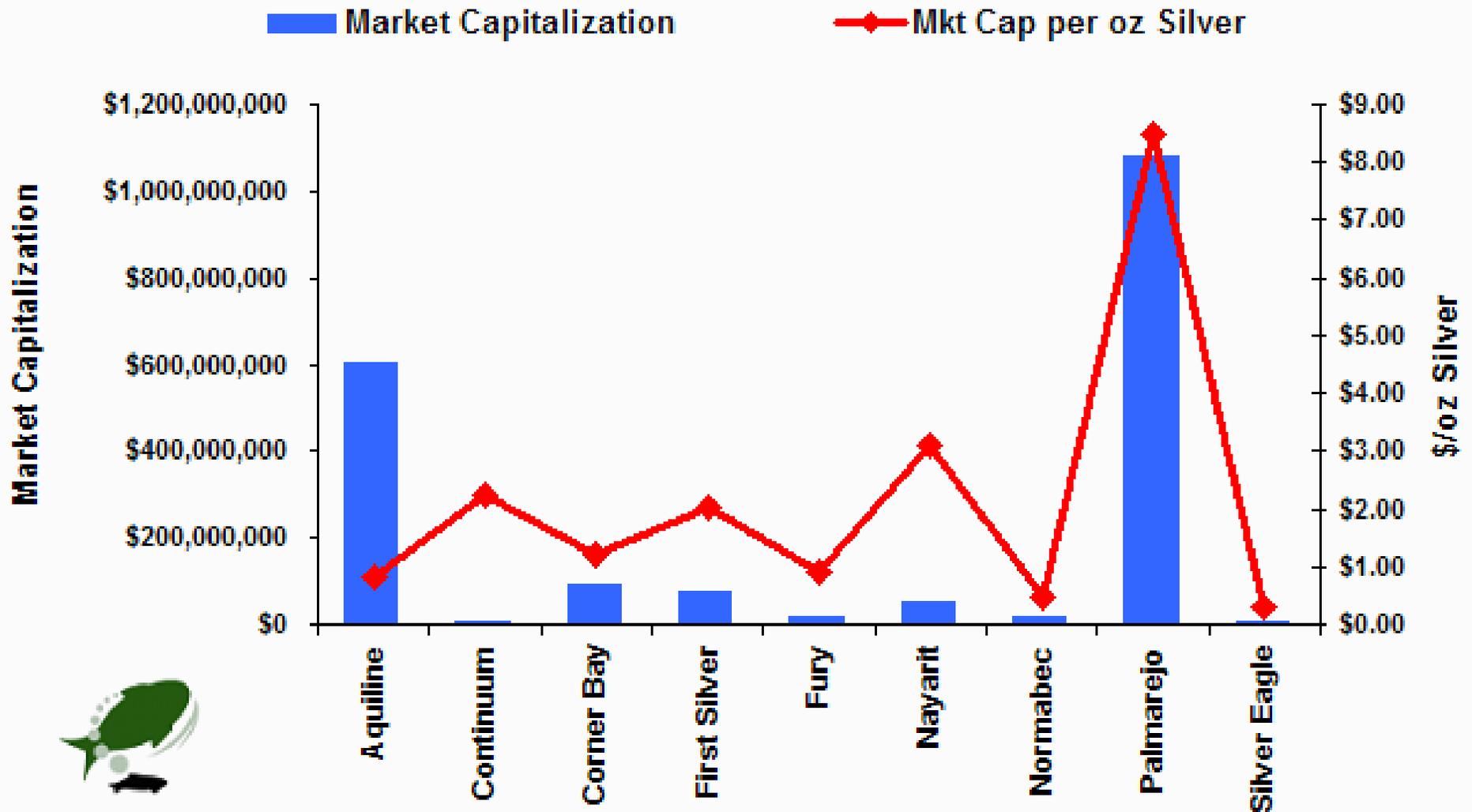
Primary Gold Companies (TSX/TSXV) - Taken Over 2003-2011

\$16.5 billion



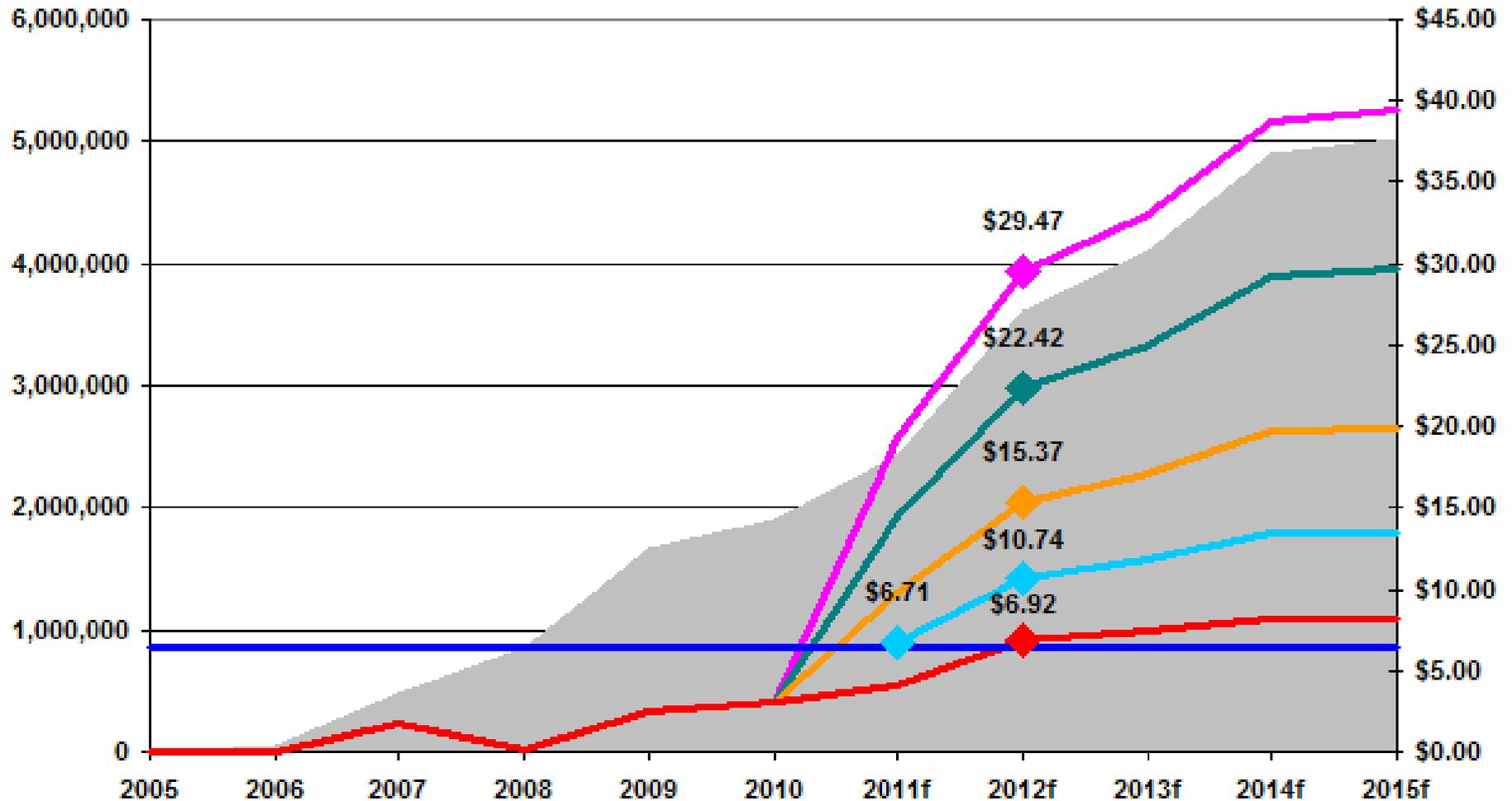
Primary Silver Companies - Taken Over 2003-2011

\$2.0 billion



Fortuna Annual Production and Price Targets

Target Price based on EBITDA Multiple: 10 Fully Diluted: 128,847,221



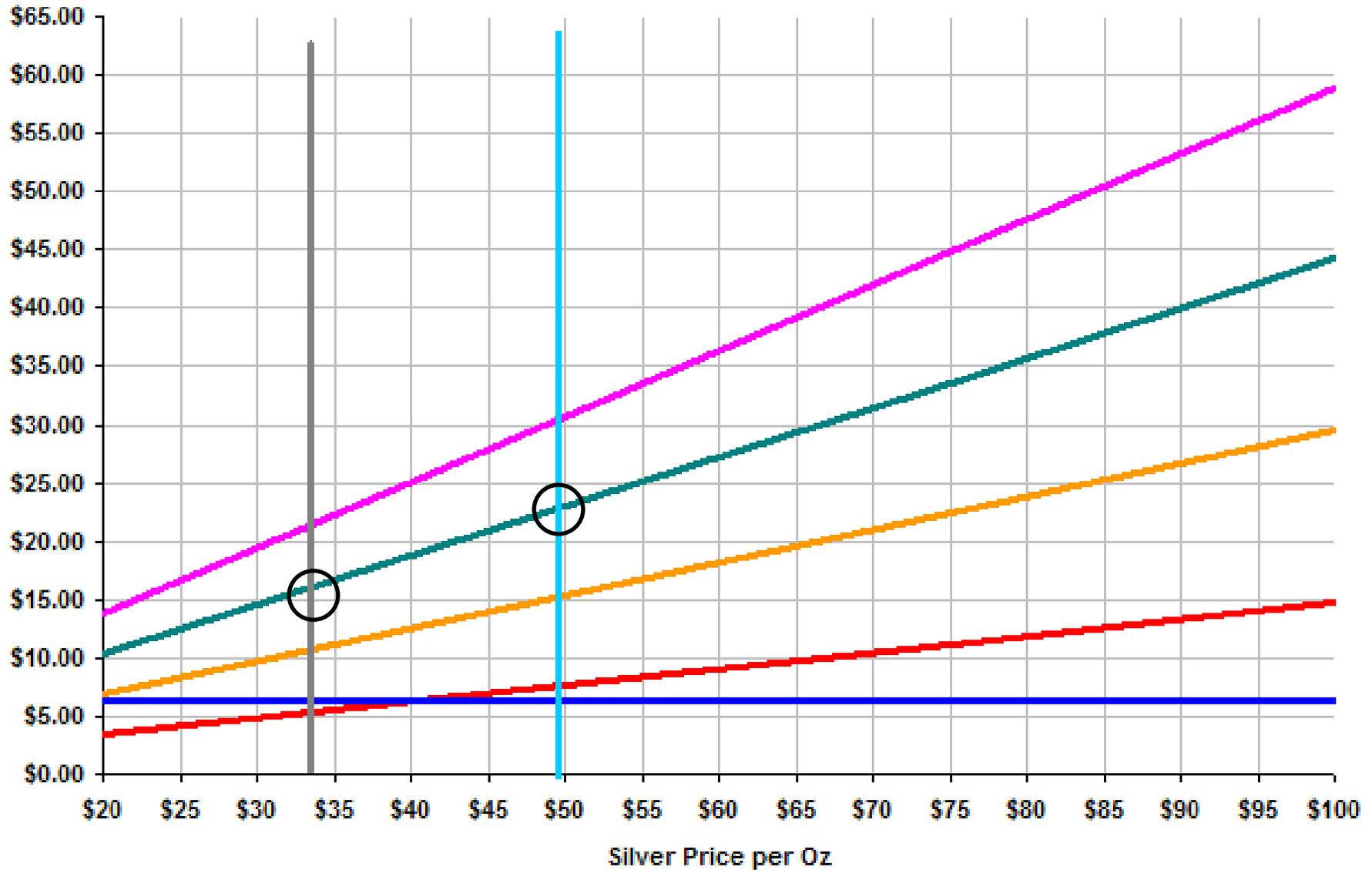
Silver Production
 Target at \$100 Silver
 Target at \$75 Silver
 Target at \$50 Silver
 Target at \$20 Silver
 Target at \$33.55 Silver
 Current Price \$6.39

February 10, 2012

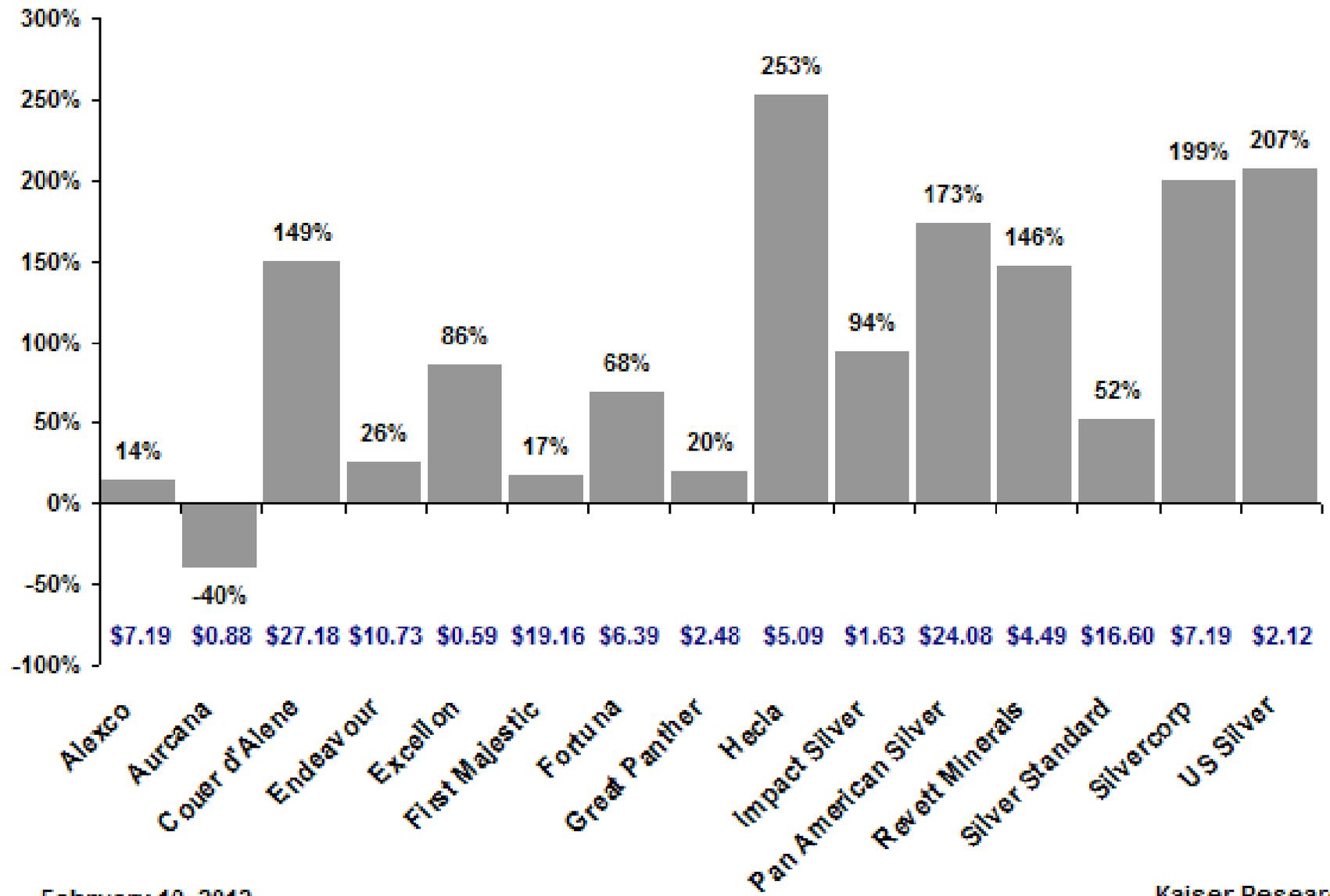
(Pre 2011 Cash Flow based on Realized Revenue)

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Fortuna Price Potential at various Multiples for 2012 Cash Flow Forecast



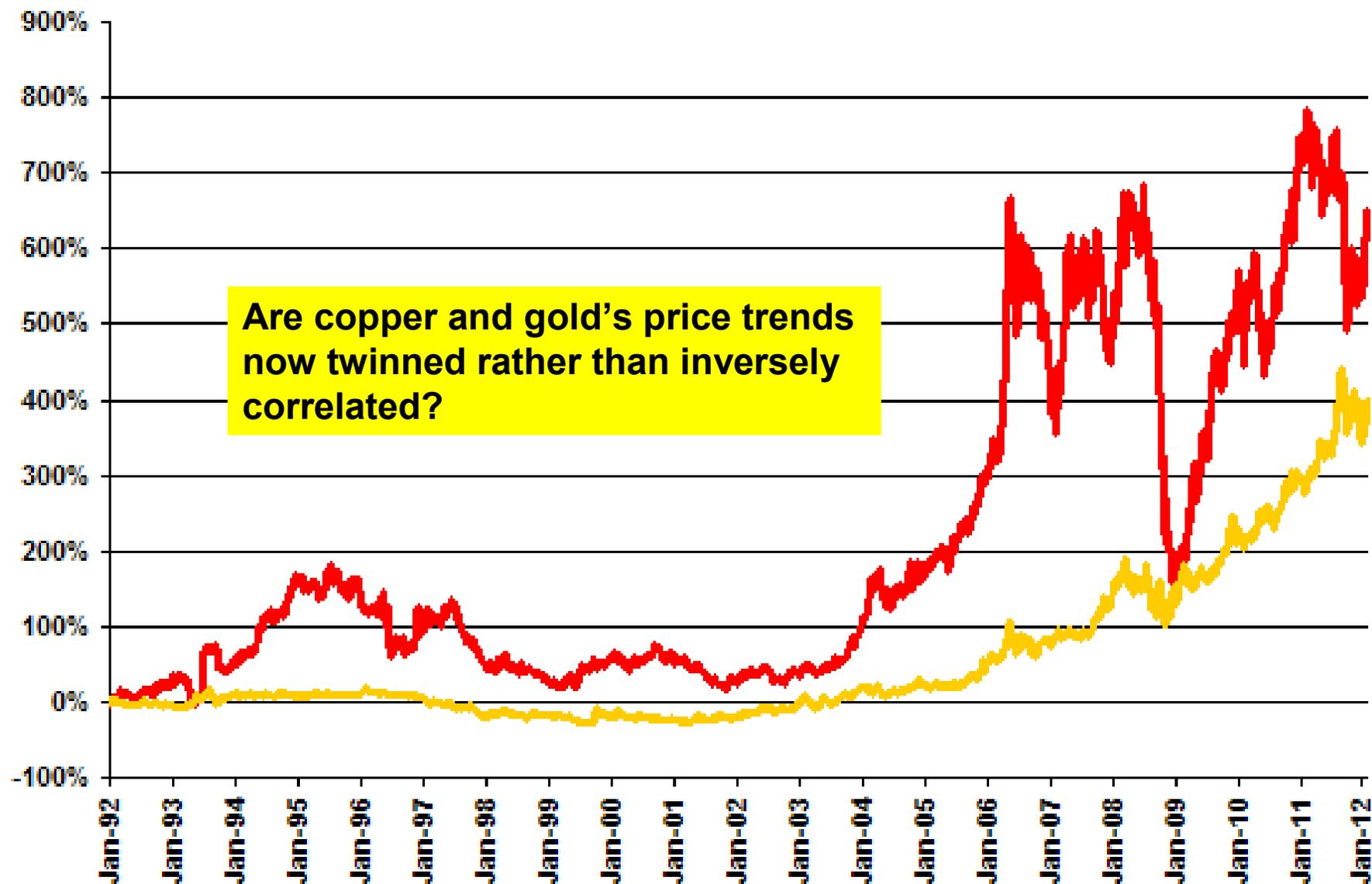
**Upside from Current Stock Price at Current Silver Price \$33.55
based on 2012 Cash Flow Forecast
Cash Flow (EBITDA) Multiple 10X**



Gold-Copper Relative Performance

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

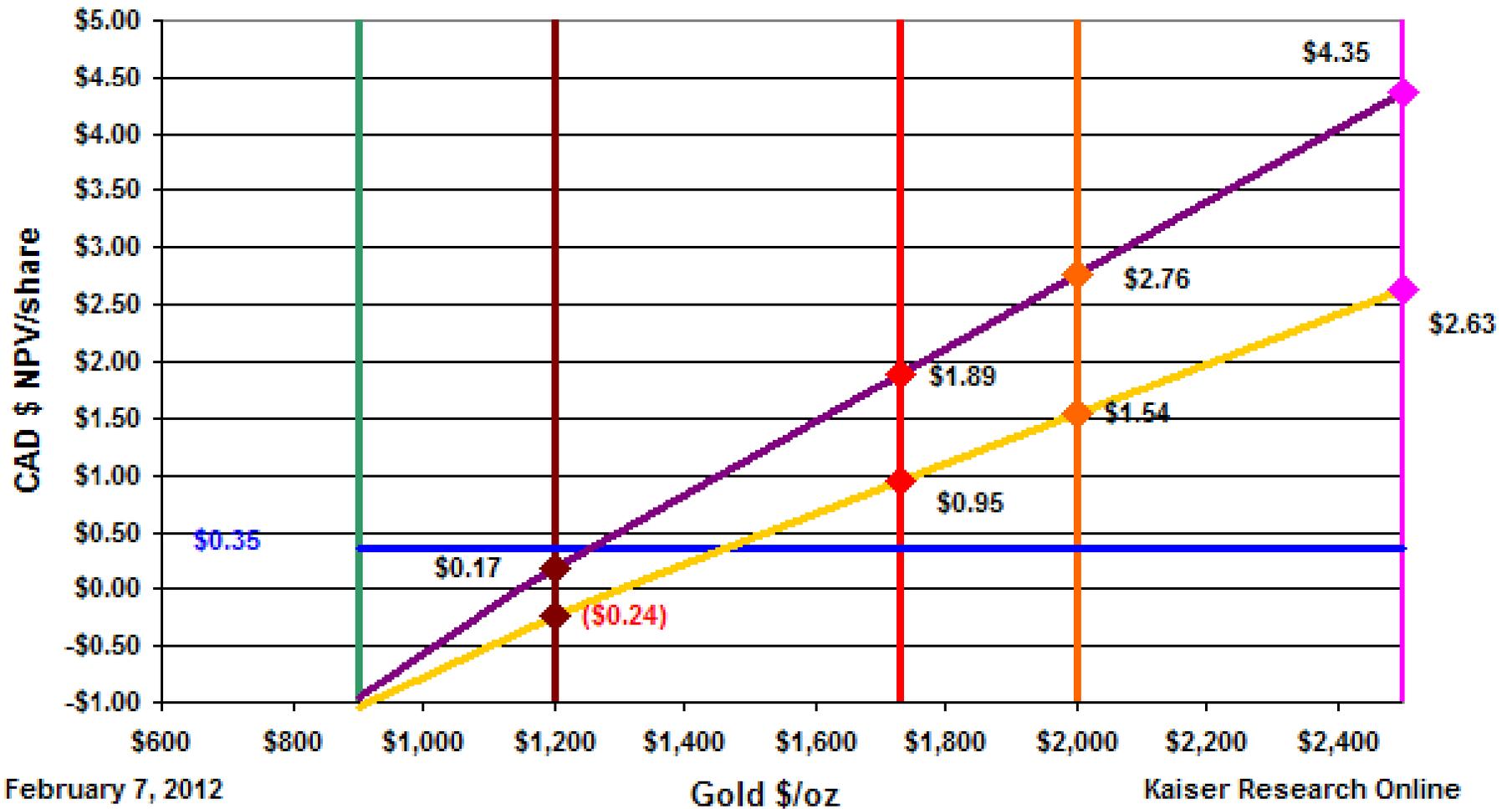
Copper
Gold



Geologix - Tepal - After Tax NPV Sensitivity

- Pessimistic - \$900/oz Au
- Base Case - \$1,200/oz Au
- Current - \$1,730/oz Au
- Optimistic - \$2,000/oz Au
- Fantasy - \$2,500/oz Au
- Current Stock Price - \$0.35
- Share vs \$/oz Au at 10% Disc Rate
- Share vs \$/oz Au at 5% Disc Rate

2011 PEA: - 22,700 tpd OP Flotation, 6,700 tpd OP Heap leach
 CapEx \$346 M, OpEx \$8.17/t (not incl transport & smelting)
 North-South Sulphide & Oxide - 97 MT 0.24% Cu 0.41 g/t
 Tizate Sulphide & Oxide - 57 MT 0.18% Cu 0.2 g/t Au
 145 M fully diluted, 28% Tax, exch 1:1 USD:CAD
 Copper \$2.00/lb, Silver \$16/oz - "China is a Mirage"



February 7, 2012

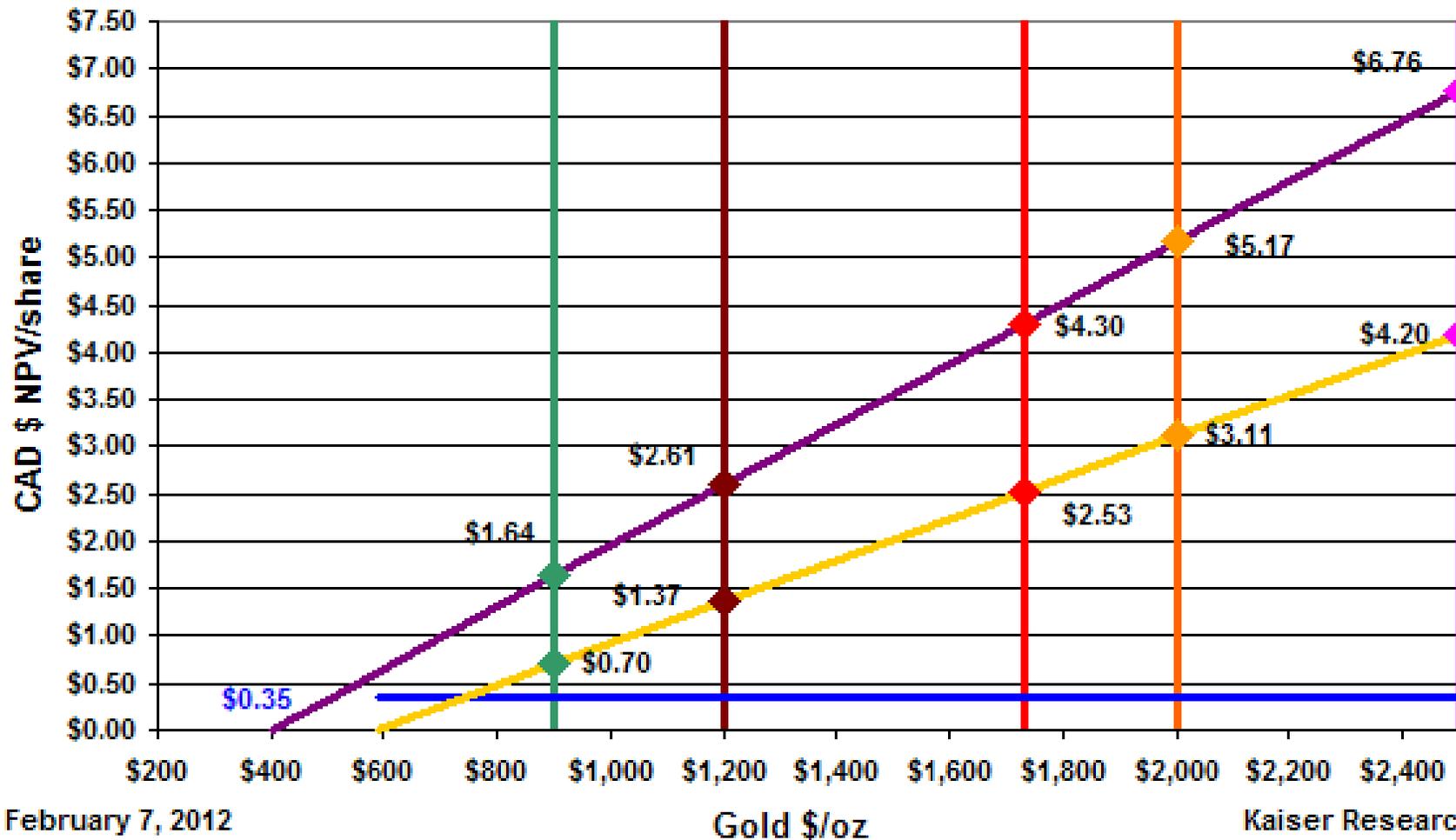
Gold \$/oz

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Geologix - Tepal - After Tax NPV Sensitivity

- Pessimistic - \$900/oz Au
- Base Case - \$1,200/oz Au
- Current - \$1,730/oz Au
- Optimistic - \$2,000/oz Au
- Fantasy - \$2,500/oz Au
- Current Stock Price - \$0.35
- Share vs \$/oz Au at 10% Disc Rate
- Share vs \$/oz Au at 5% Disc Rate

2011 PEA: - 22,700 tpd OP Flotation, 6,700 tpd OP Heap leach
 CapEx \$346 M, OpEx \$8.17/t (not incl transport & smelting)
 North-South Sulphide & Oxide - 97 MT 0.24% Cu 0.41 g/t Au
 Tizate Sulphide & Oxide - 57 MT 0.18% Cu 0.2 g/t Au
 145 M fully diluted, 28% Tax, exch 1:1 USD:CAD
 Copper \$3.50/lb, Silver \$30/oz - "Asia drives the Future"



February 7, 2012

Gold \$/oz

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Geologix Explorations Inc

2/9/2009 TO 2/9/2012



Issued: 135,790,887

High: \$1.00 on 12/7/2010

Max Volume: 21,874,600 on 1/27/2012

Diluted: 145,298,893

Low: \$0.10 on 2/24/2009

Max Value: \$6,562,380 on 1/27/2012

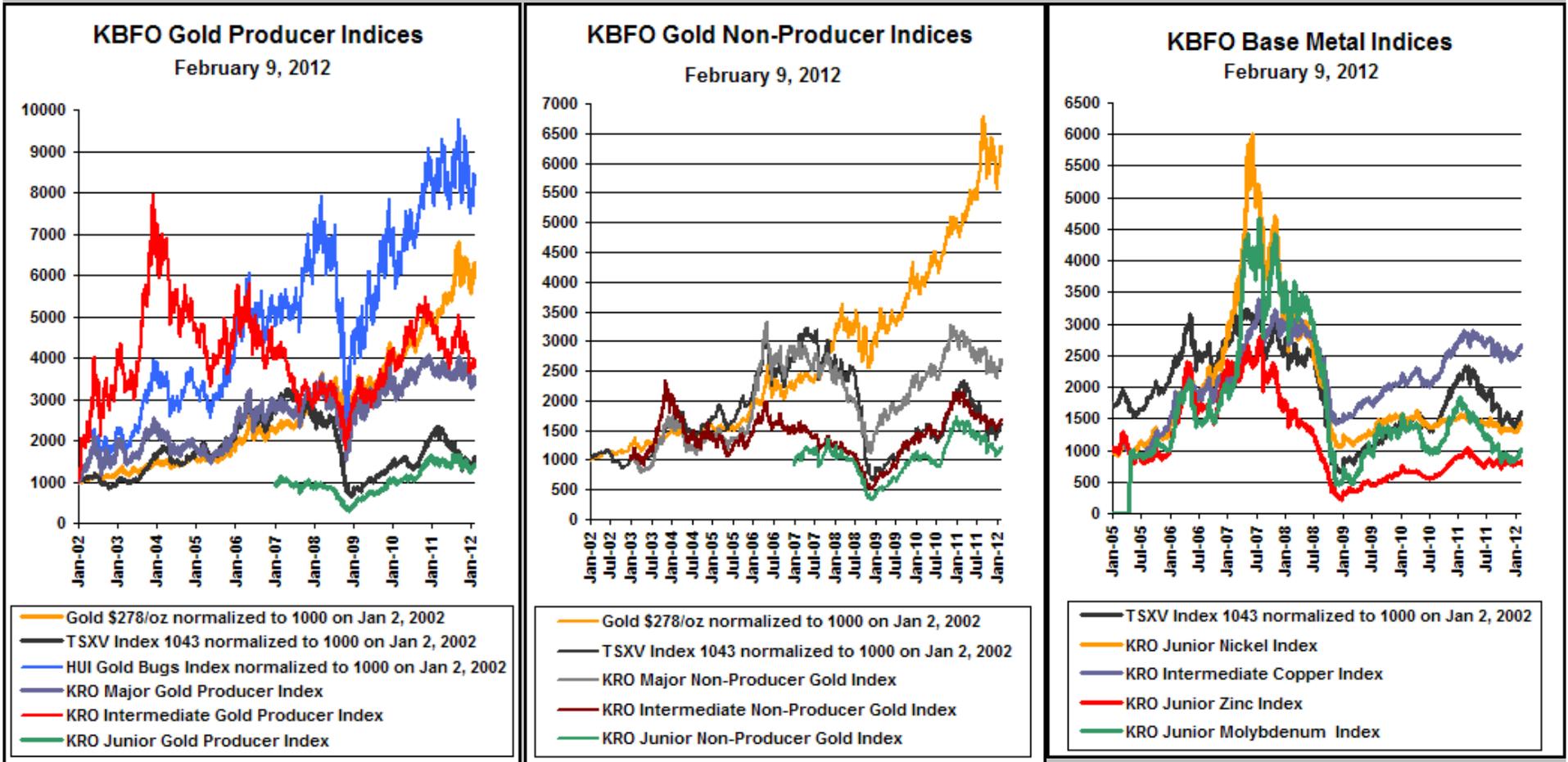


KaiserBottomFish.com

GIX - TSX - CAD \$0.33

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Despite strong metal prices we have an equity valuation disconnect.

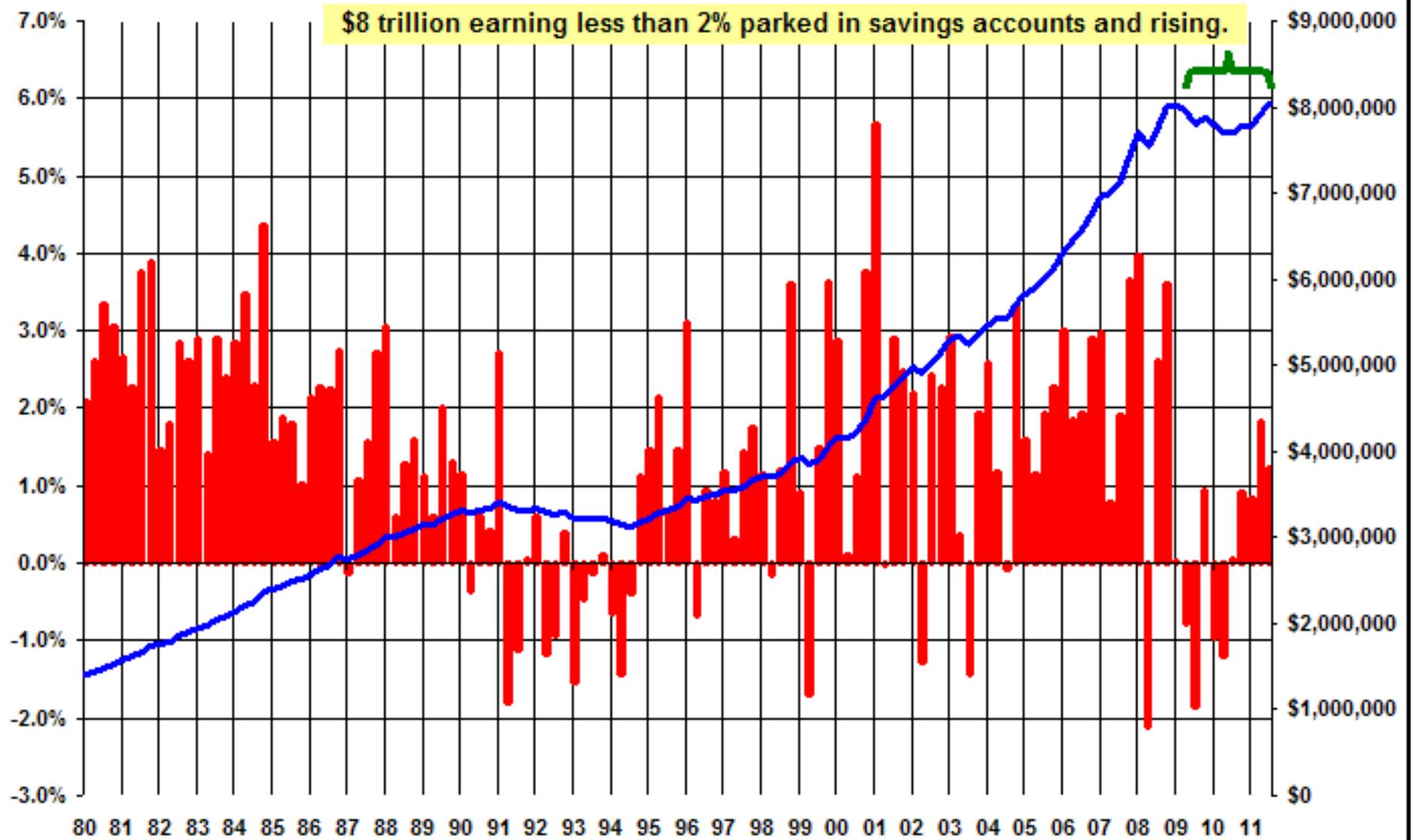


Is it time to say goodbye to the apocalyptic gold bug narrative and its moralistic baggage?

US Household Savings Deposits

Quarterly % Change

Savings Deposits - '000s



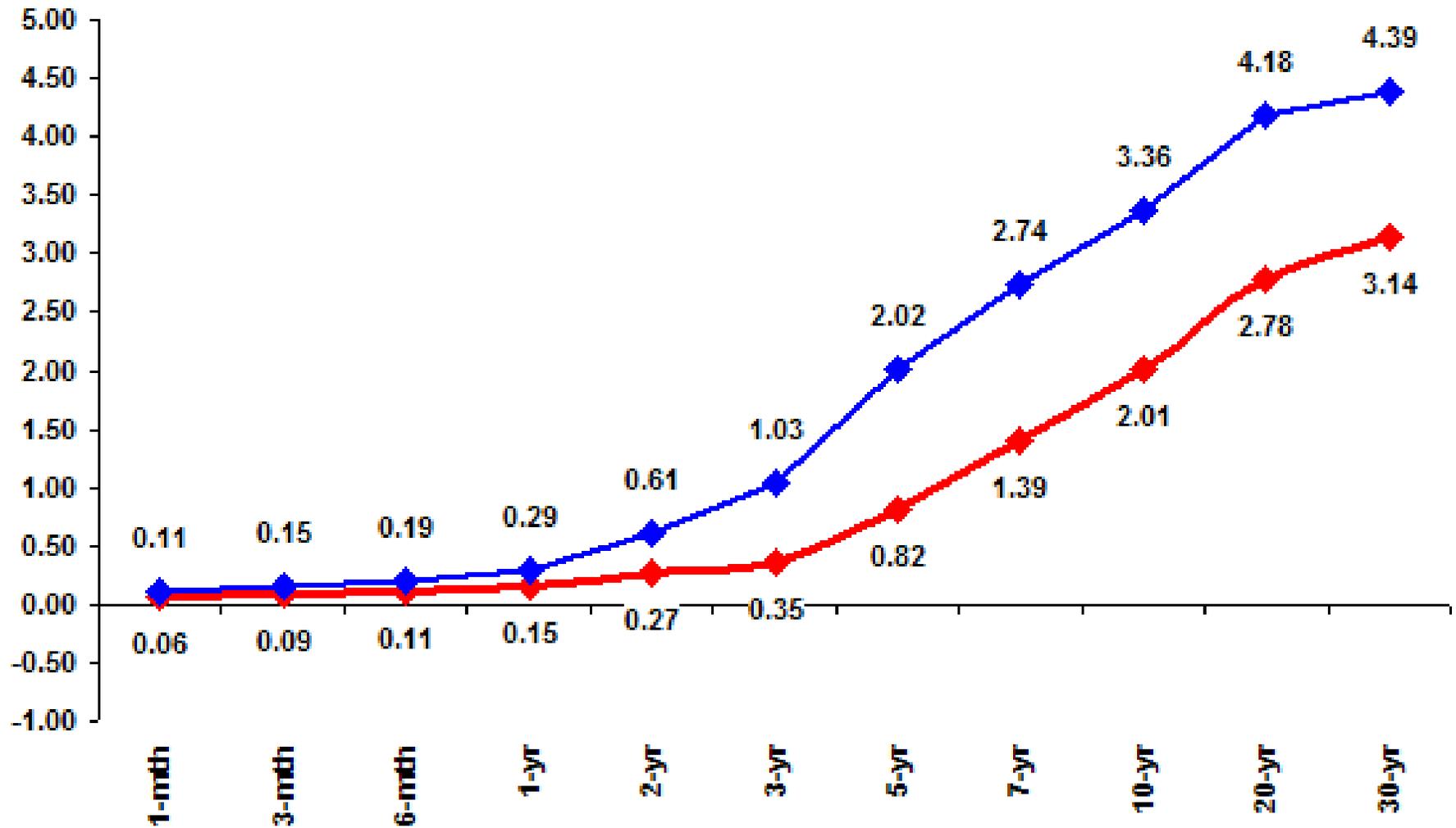
Source: Federal Reserve

Q3 of 2011

US T-Bill % Yield Curve

February 8, 2012

January 3, 2011



Source: Federal Reserve

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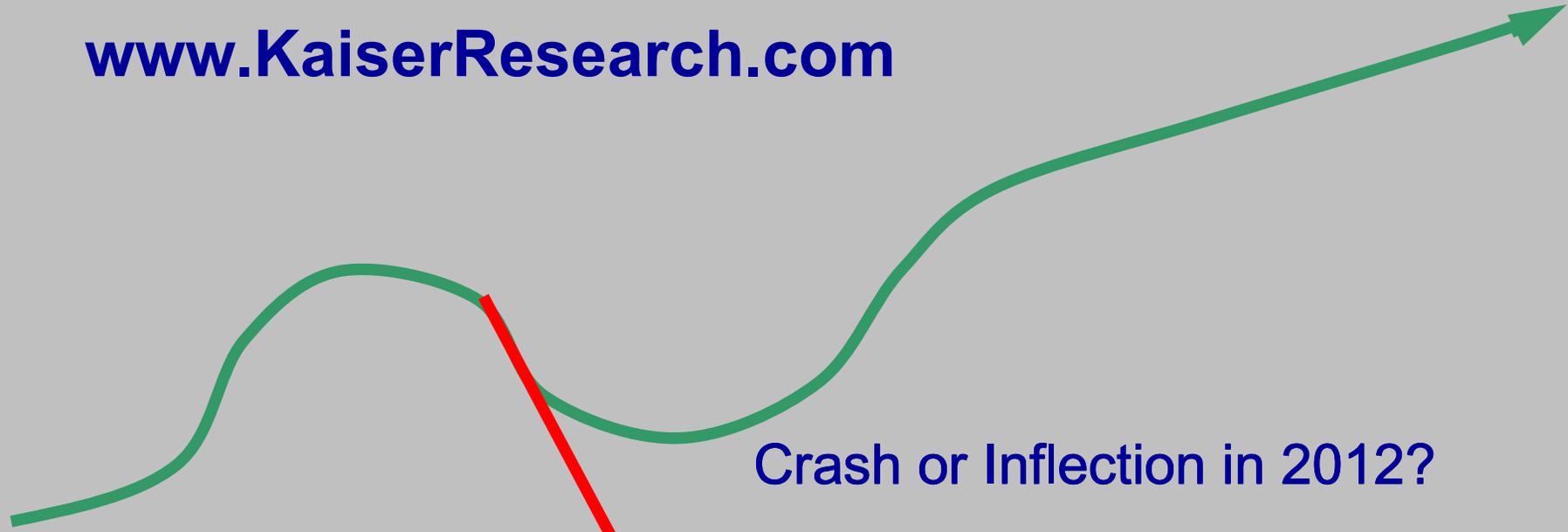
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