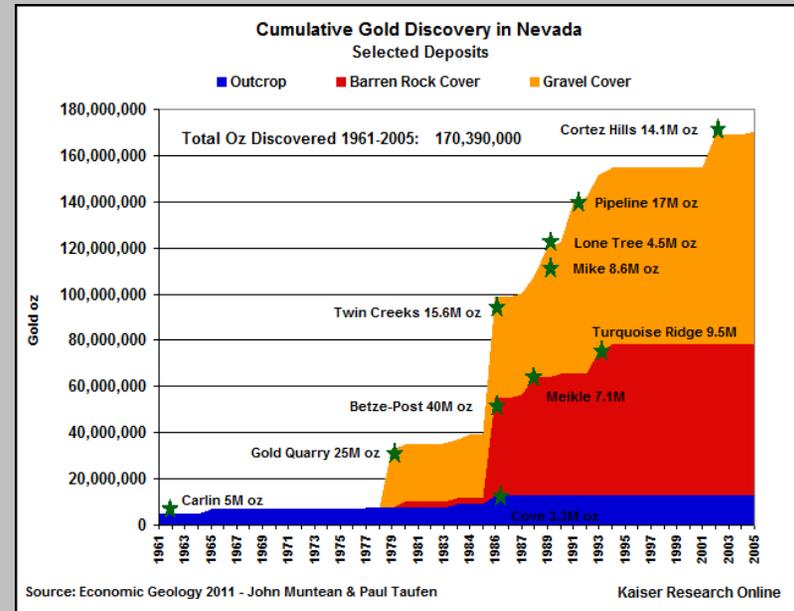


# Nevada Mineral Exploration Coalition 2013 Annual General Meeting

Reno, USA

October 15, 2013

Presented by John Kaiser



**What – if Anything – Will Cause the  
Current Market to Improve and When?**

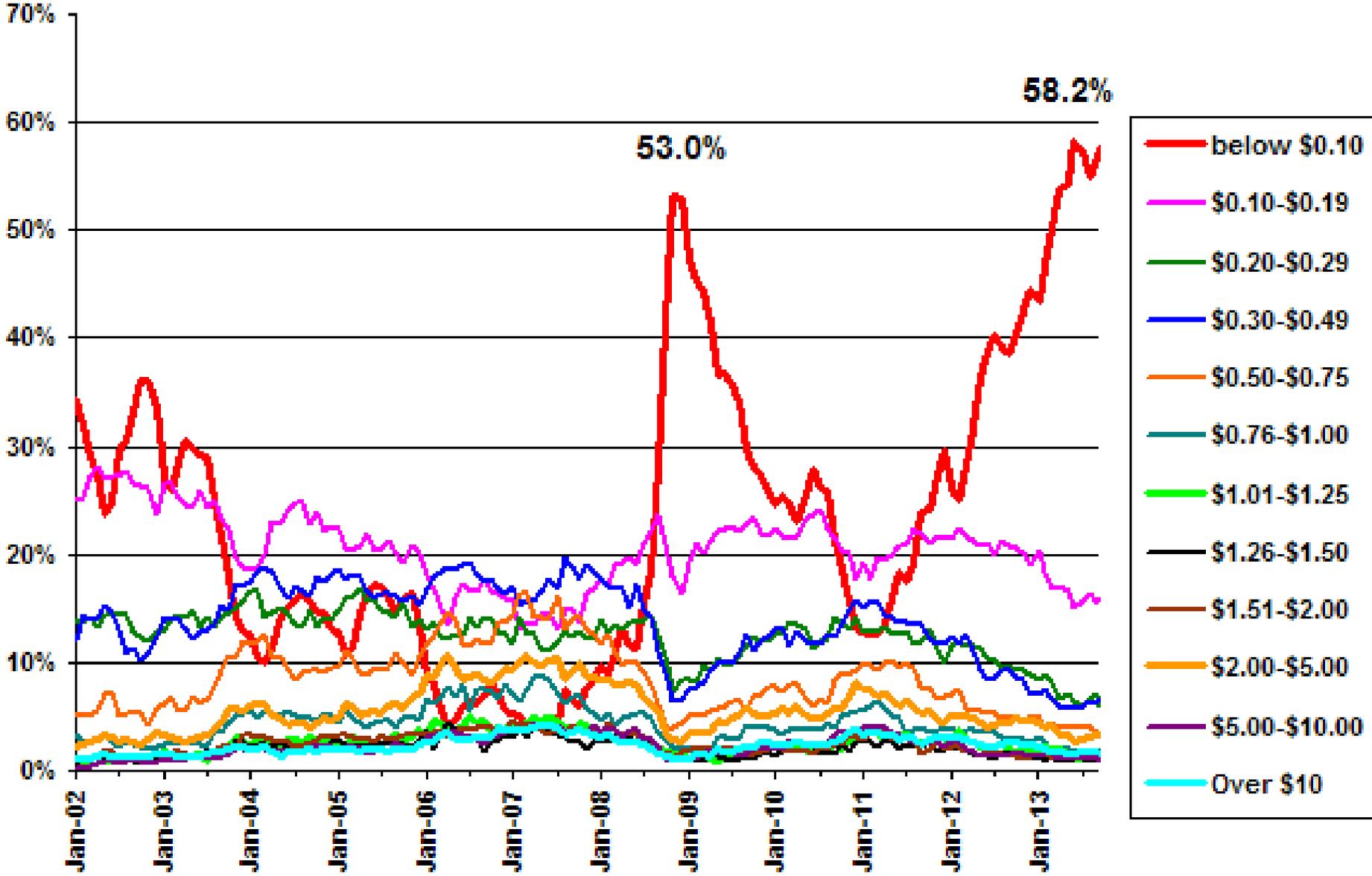
**[www.KaiserResearch.com](http://www.KaiserResearch.com)**

# Overview

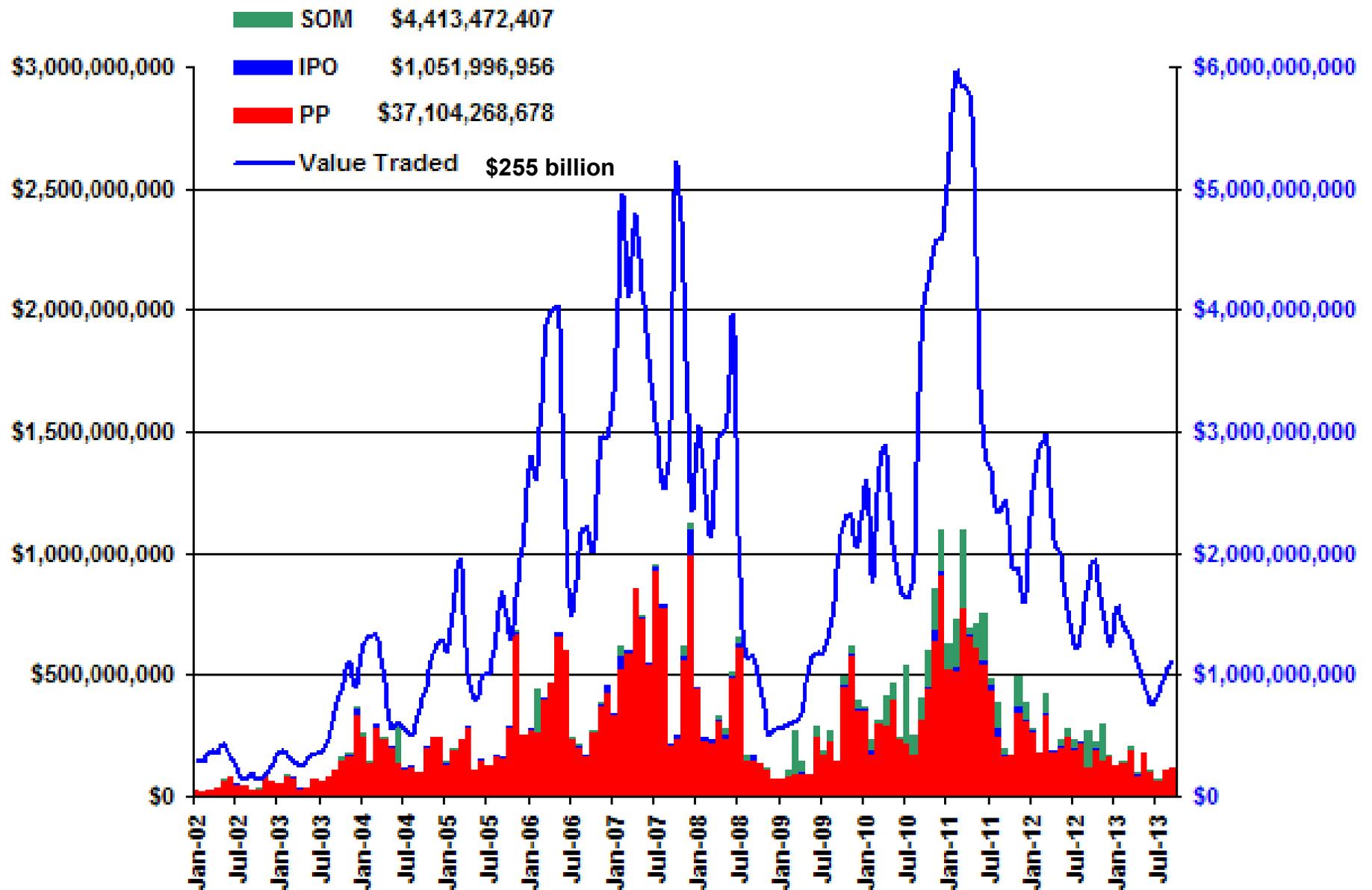
- How bad is the resource sector equity market?
- Why is 2013 different from 1980 and why does \$1,300 gold not feel good?
- Is there another way to view gold that does not entail apocalyptic outcomes and which promises higher real gold prices? (the Prosperity-Anxiety Narrative)
- What can trigger a sustainable real price uptrend that has Wall Street on board?
- What makes Nevada special and why will it become the focus for a modern day gold rush?

# KRO Price Range Distribution

1,774 Companies as of 10/11/2013



## Monthly Value of Resource Sector TSXV Financings 2002-2013



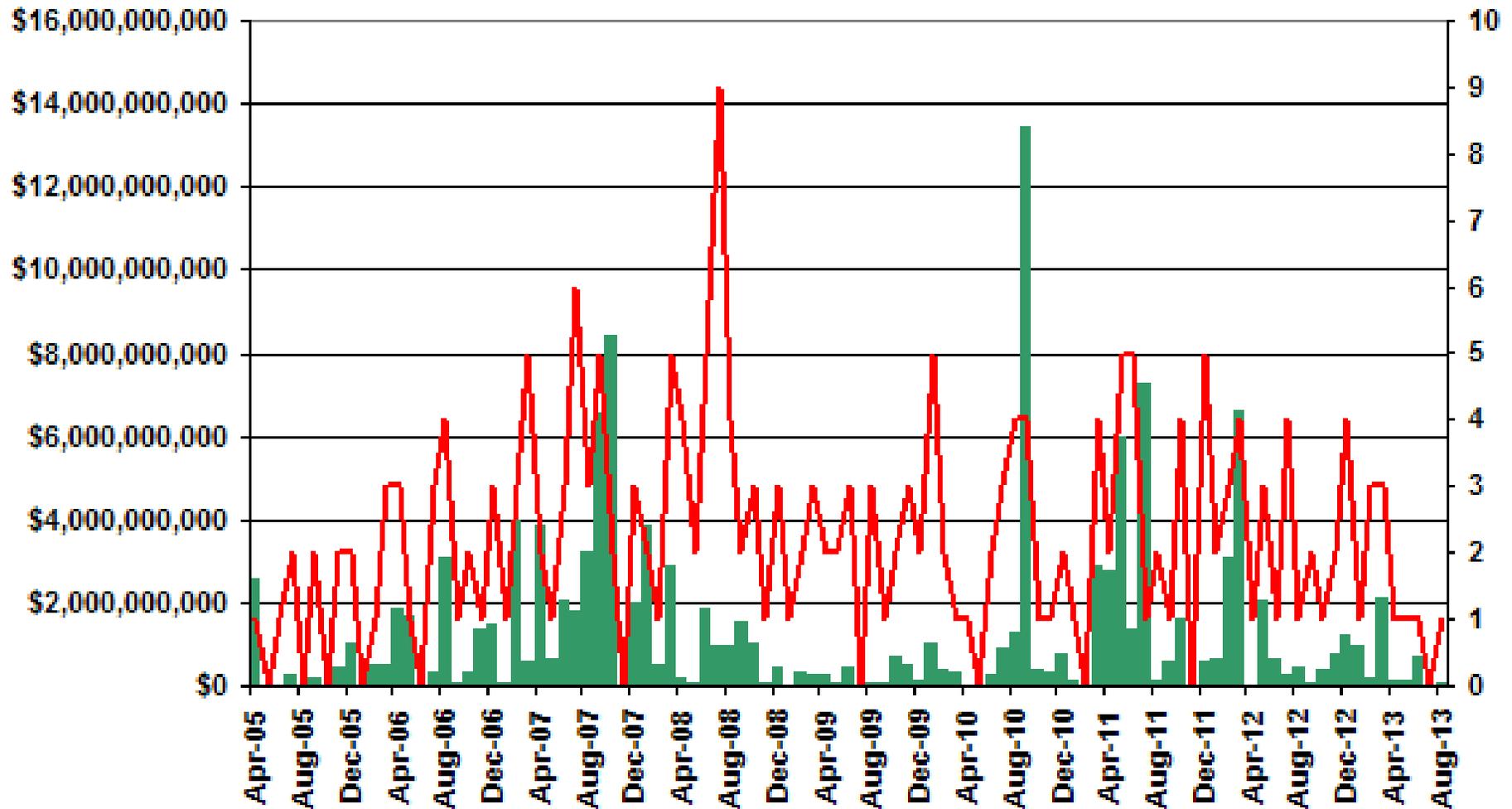
## Monthly Value TSX/TSXV Resource Junior Takeover Bids

Total \$128,712,837,86

Value

Total #: 226

Number



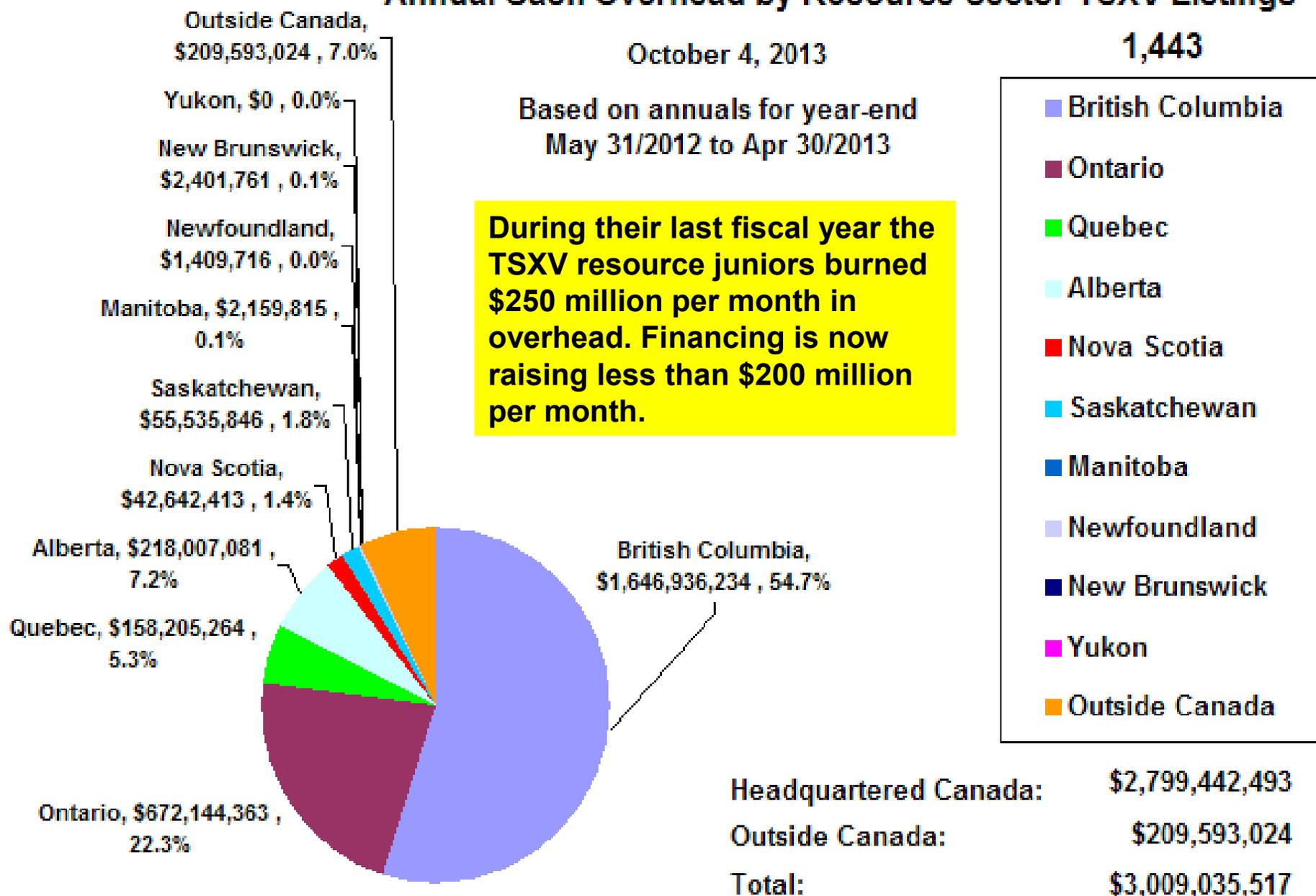
# Annual Cash Overhead by Resource Sector TSXV Listings

October 4, 2013

1,443

Based on annuals for year-end  
May 31/2012 to Apr 30/2013

**During their last fiscal year the TSXV resource juniors burned \$250 million per month in overhead. Financing is now raising less than \$200 million per month.**

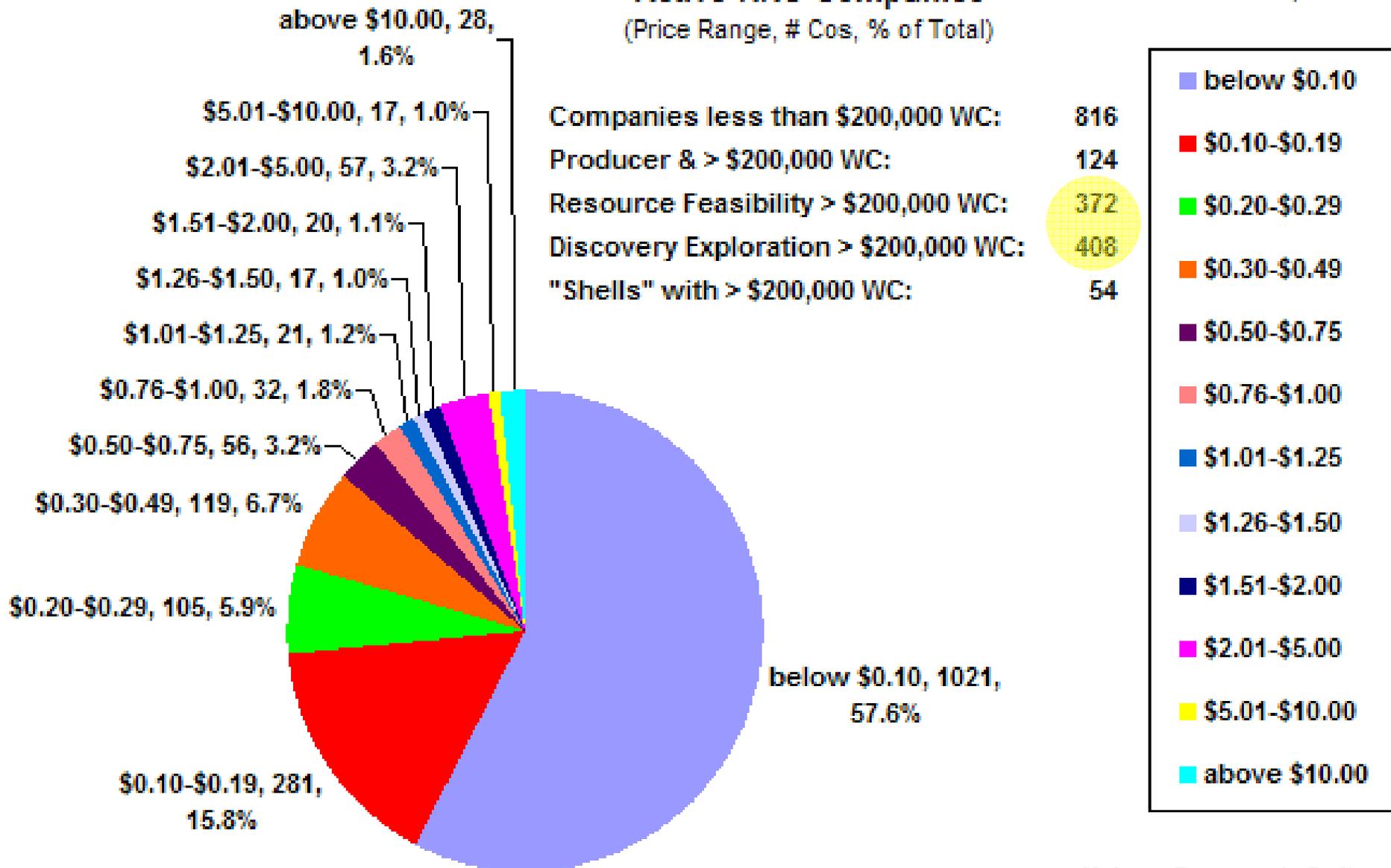


Headquartered Canada:	\$2,799,442,493
Outside Canada:	\$209,593,024
<b>Total:</b>	<b>\$3,009,035,517</b>

# 1,774 Price Range Breakdown

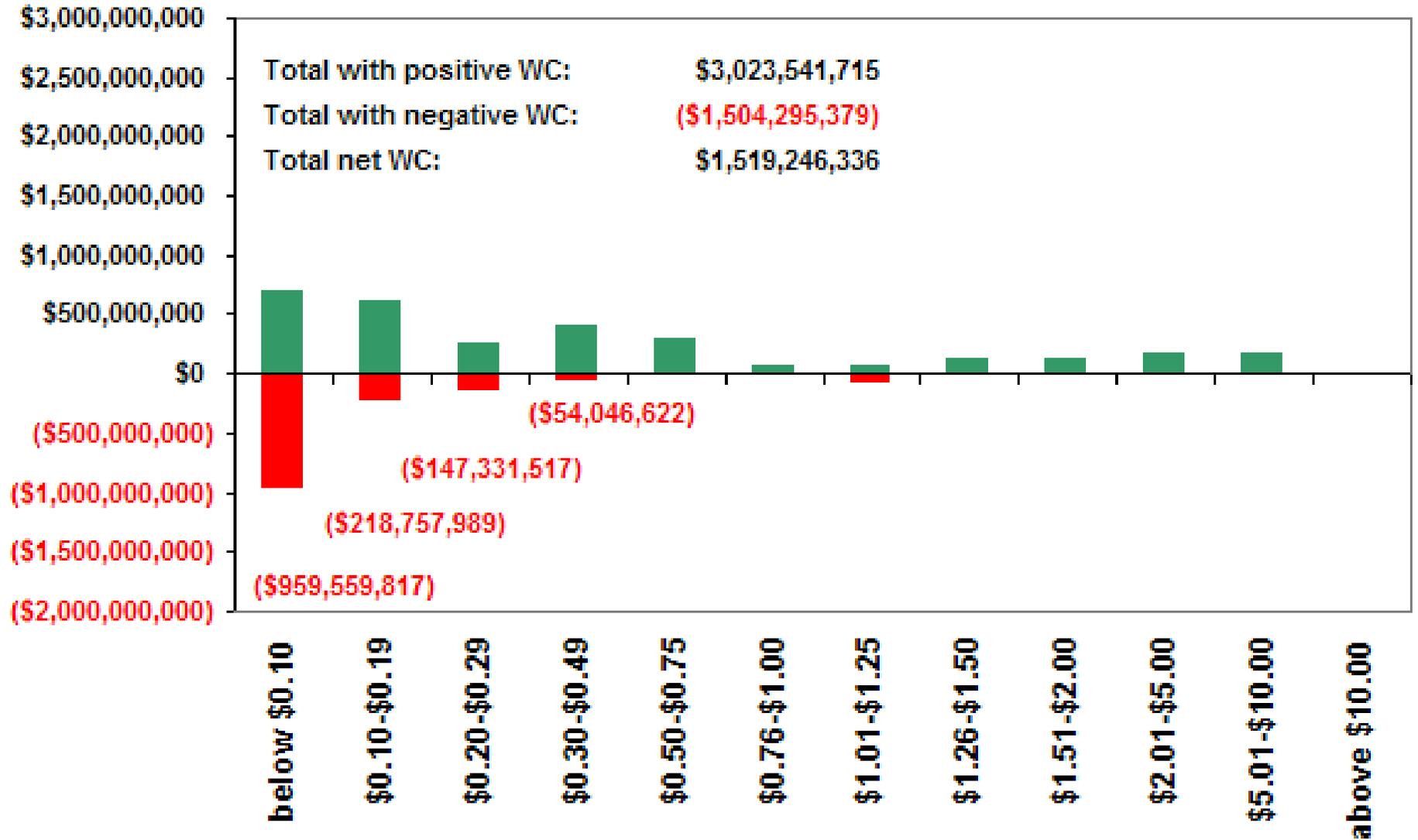
Active KRO Companies  
(Price Range, # Cos, % of Total)

October 11, 2013



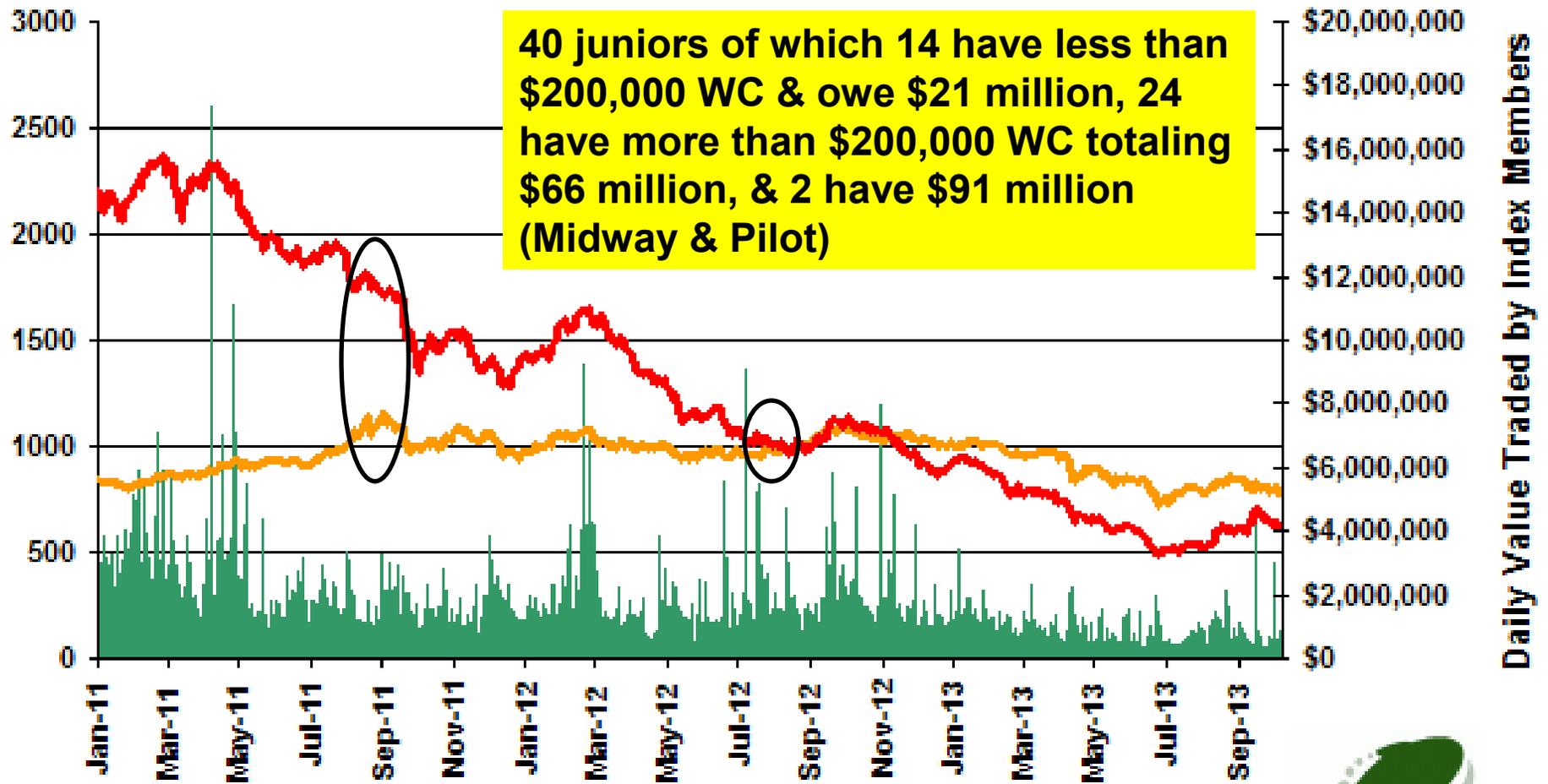
# 1,407 TSXV KRO Working Capital

(Positive & Negative Working Capital tabulated separately)



# KRO Nevada Gold Expl 2012 Index

October 11, 2013



40 juniors of which 14 have less than \$200,000 WC & owe \$21 million, 24 have more than \$200,000 WC totaling \$66 million, & 2 have \$91 million (Midway & Pilot)

- Daily Value Traded by Index Members
- Nevada Gold Expl 2012 - 1000 on Aug 31, 2012
- Gold \$1,648.50 normalized to 1000 on Aug 31, 2012

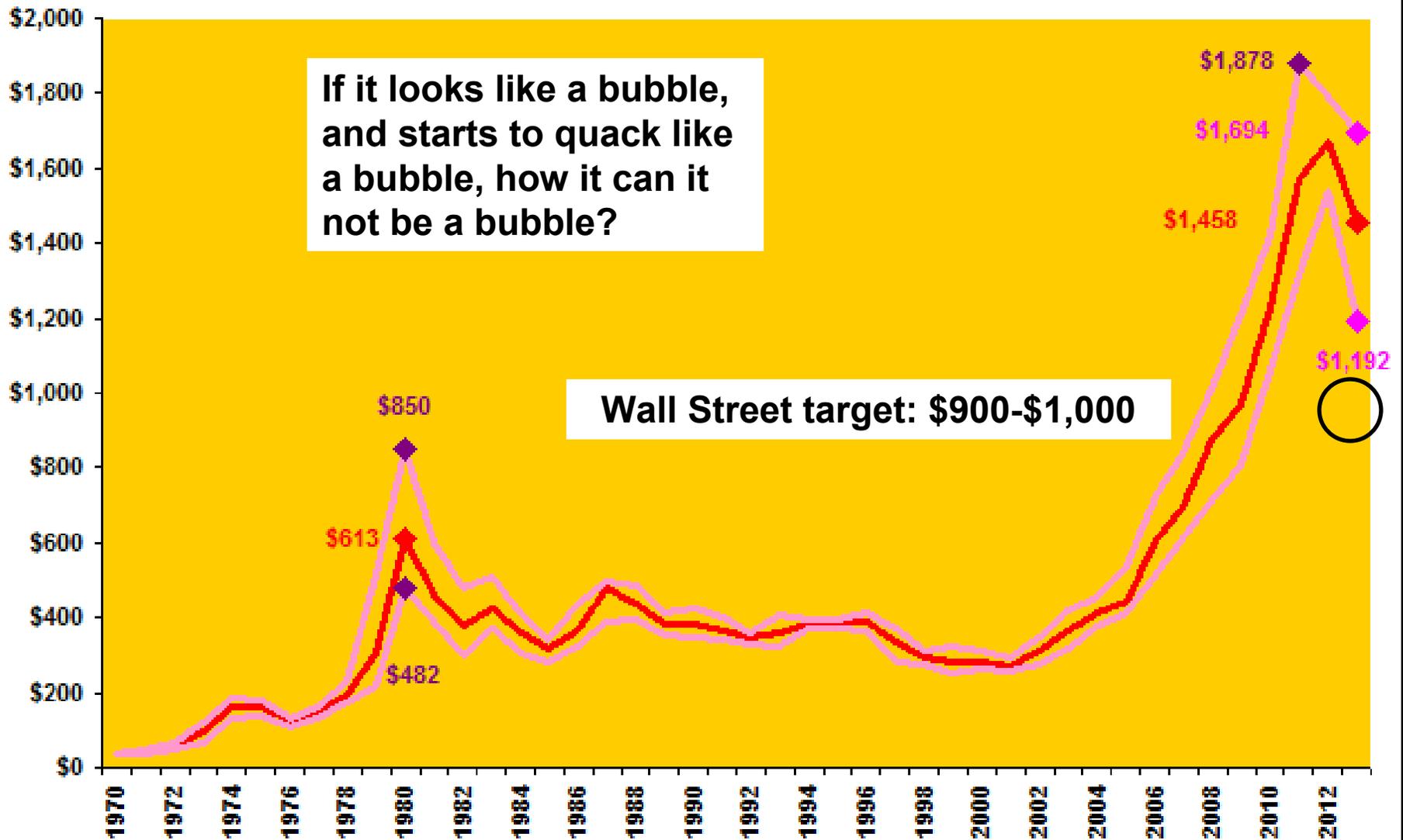


Copyright 2013  
Kaiser Research

# Annual Average Gold Price with High-Low Range

— Average Gold Price

— Yearly Hi-Lo Range



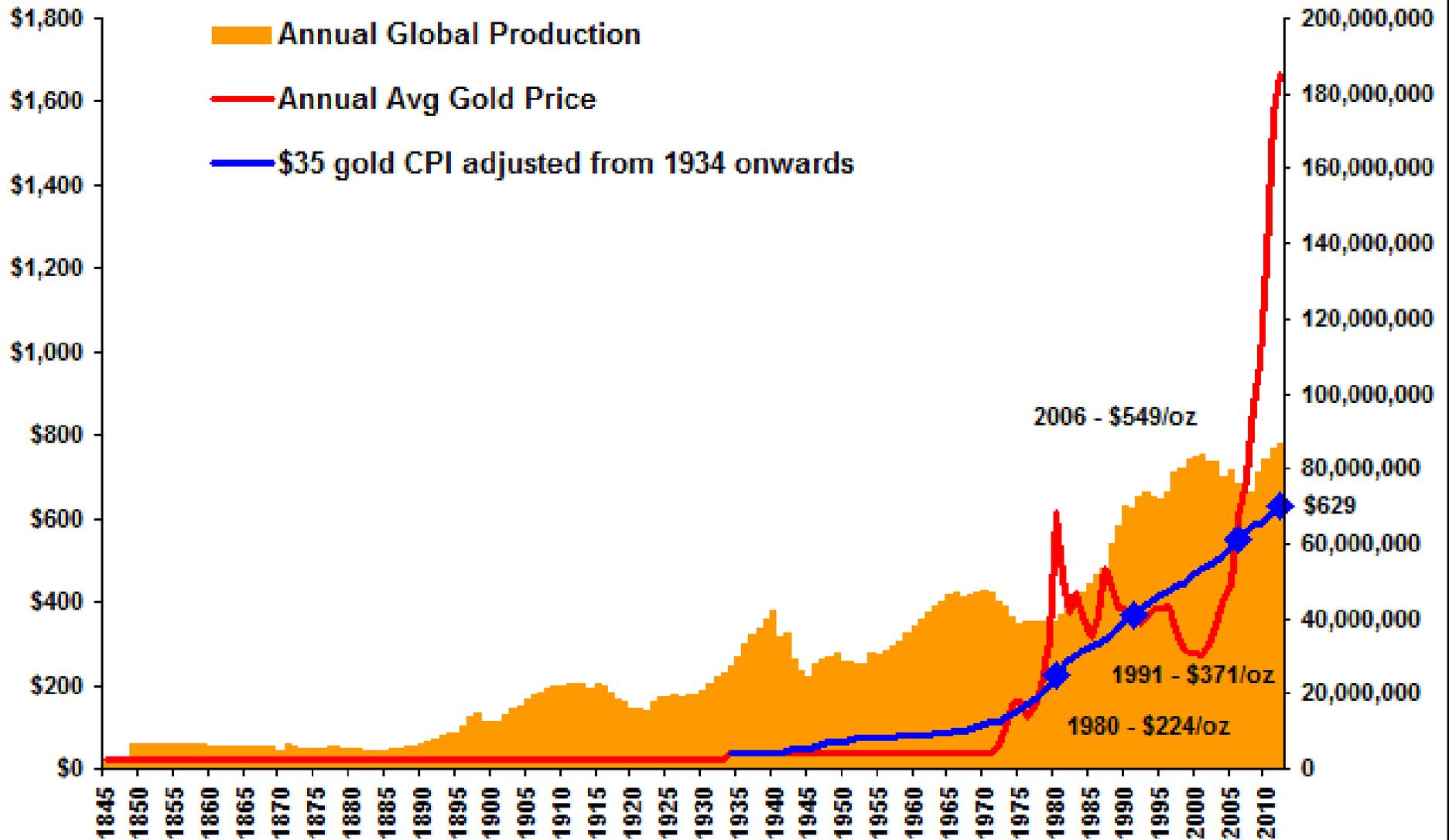
If it looks like a bubble, and starts to quack like a bubble, how it can it not be a bubble?

Wall Street target: \$900-\$1,000

October 2013

Kaiser Research Online

## Trends in Global Gold Production 1845-2012



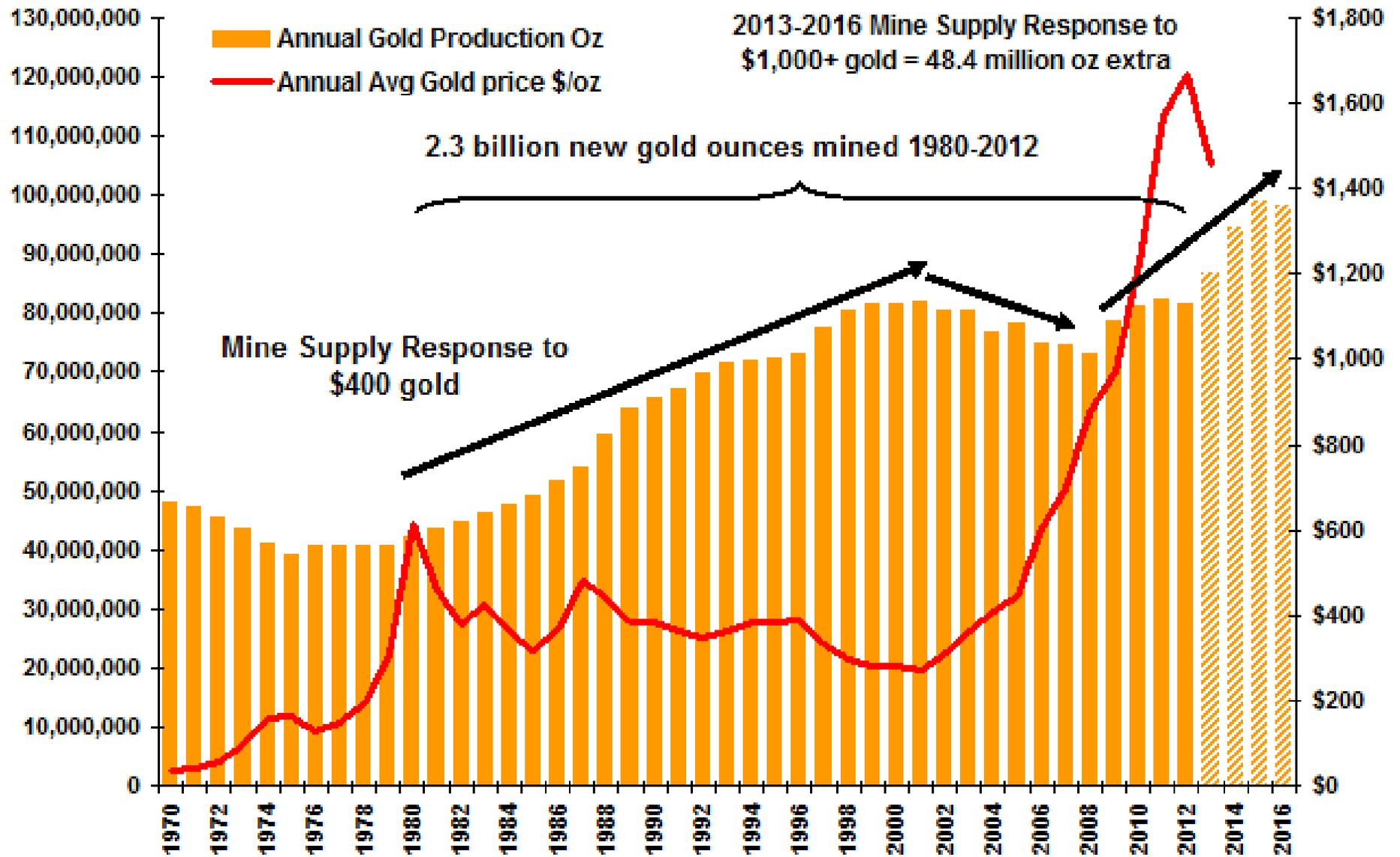
Source: CPM, WGC

October 2013

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# Annual Mine Supply - Gold Ounces

(2.3 billion oz added to 3.2 billion oz stock from 1980-2012, 2013+ CPM projections)



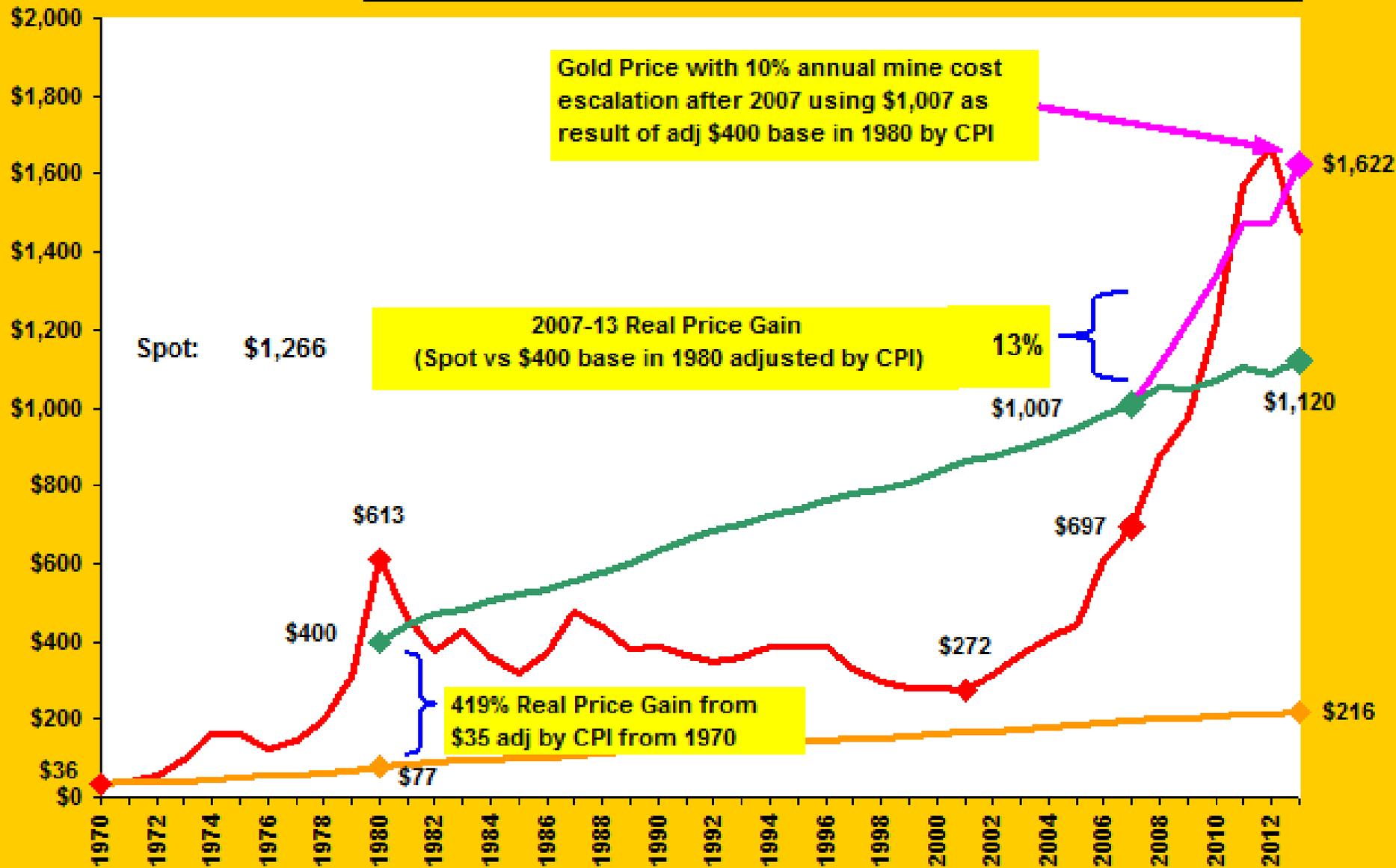
Source: CPM

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# Gold

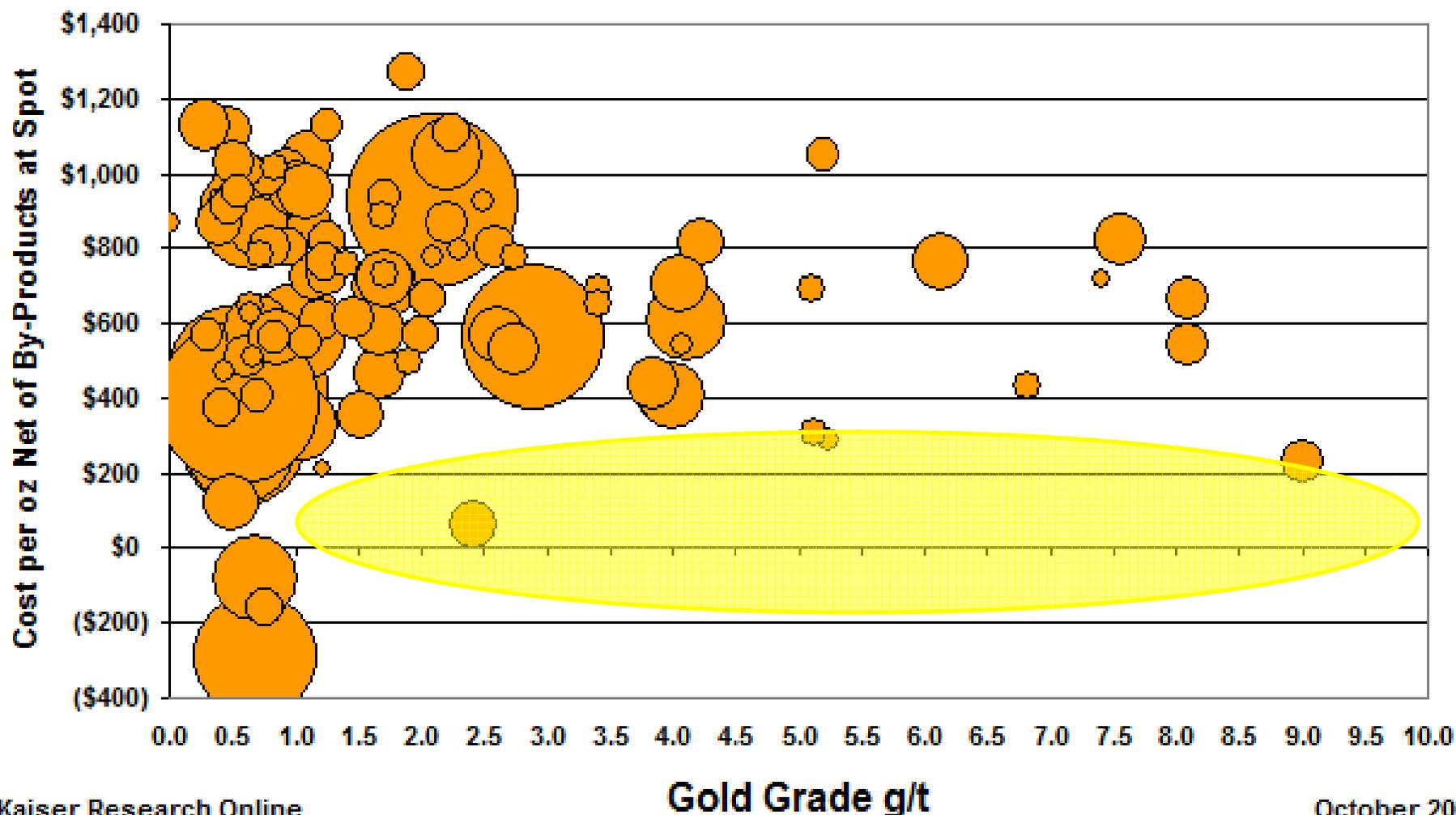
- Average Annual Gold Price \$/oz
- Gold CPI adjusted with 10% mine cost escalation 2007-2012
- Gold Price US CPI inflation adjusted from 1980 base of \$400 per oz
- Gold Price US CPI inflation adjusted from 1970 base of \$36 per oz



## All-In Cost vs Grade for Undeveloped Gold Deposits

105 deposits for which PEA, PFS or BFS has been done since 2007 (min 100,000 oz/y)

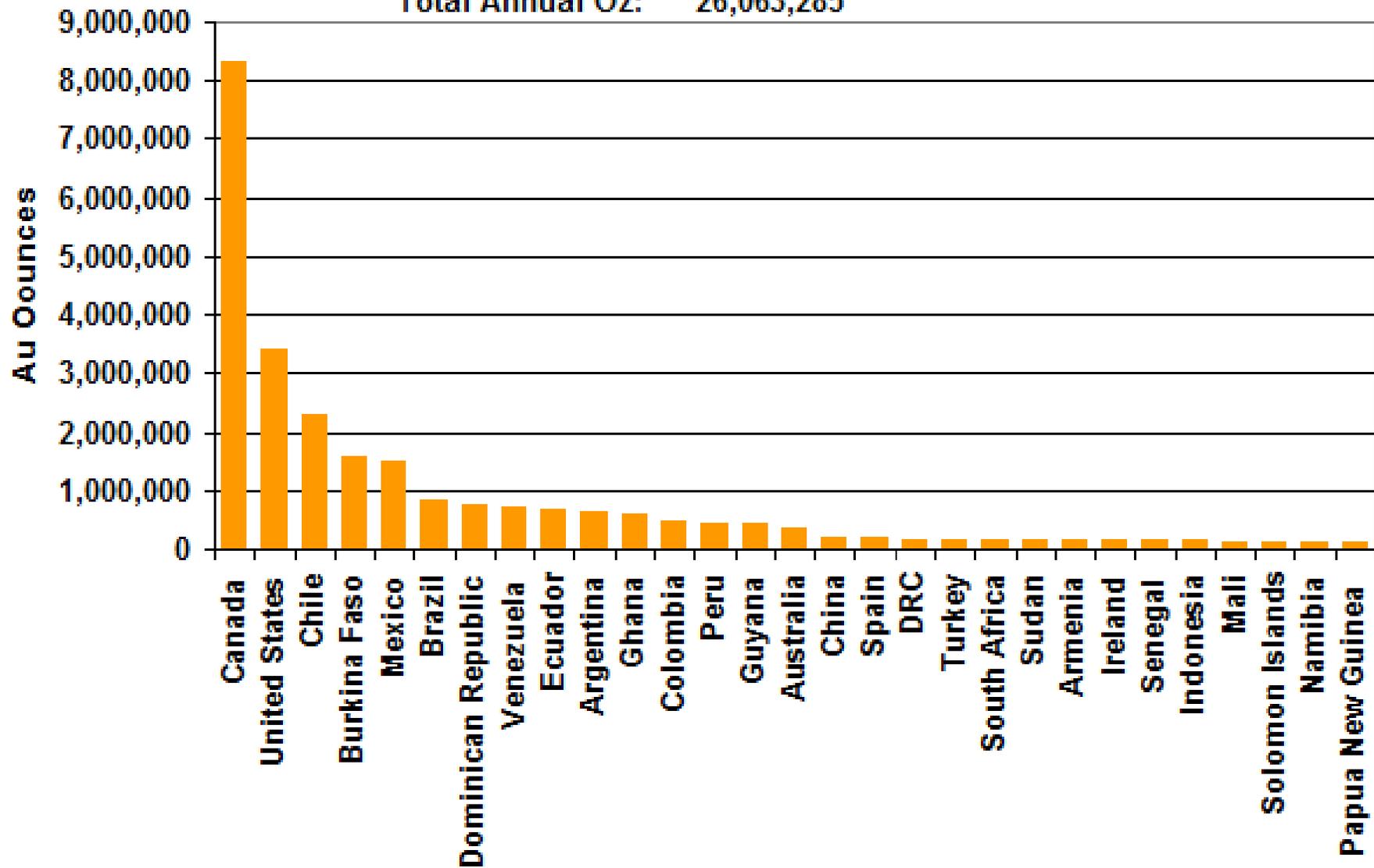
Additional Potential LOM Production	13,042	tonnes Au
Additional Potential Annual Production	840	tonnes Au
(Bubble sizes 100,000 to 1,000,000 oz per year)	81%	cost < \$900/oz



# Potential Primary Annual Gold Production

107 deposits for which PEA, PFS or BFS has been done since 2007 (min 100,000 oz/y)

Total Annual Oz: 26,063,285



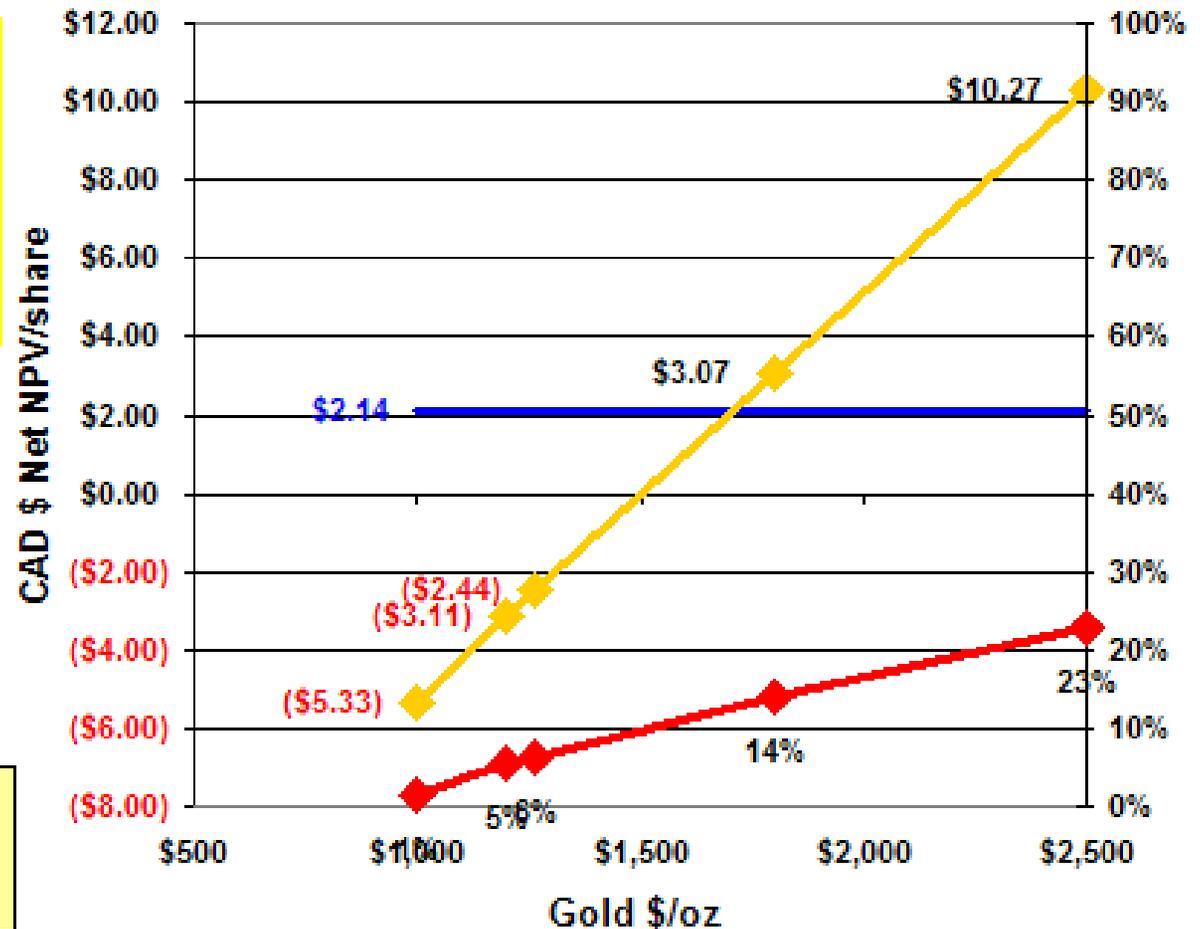
## Novagold - Donlin Creek: After-Tax Sensitivity

### 100% After-Tax Net Present Value

Pessimistic:	\$1,000/oz	(\$3,410,720,264)
Base Case:	\$1,200/oz	(\$1,990,412,225)
Spot:	\$1,266/oz	(\$1,558,962,466)
Optimistic:	\$1,800/oz	\$1,961,799,311
Fantasy:	\$2,500/oz	\$6,572,712,771

- ◆ Current Stock Price
- ◆ Net NPV/SH vs \$/oz Au
- ◆ Internal Rate of Return

Net Present Value based on life of mine averages, by-products use spot prices.



FSU Nov 18, 2011: 53,000 tpd OP, 26.9 yr; CapEx: \$6,700 M, SusCapEx: \$1,504 M, OpEx: \$38.13/t; Tax: 30% DDBM  
Fully Diluted: 319.9 M, Stock Price: \$2.14; Located: United States - 50% WI, Discount Rate: 10%

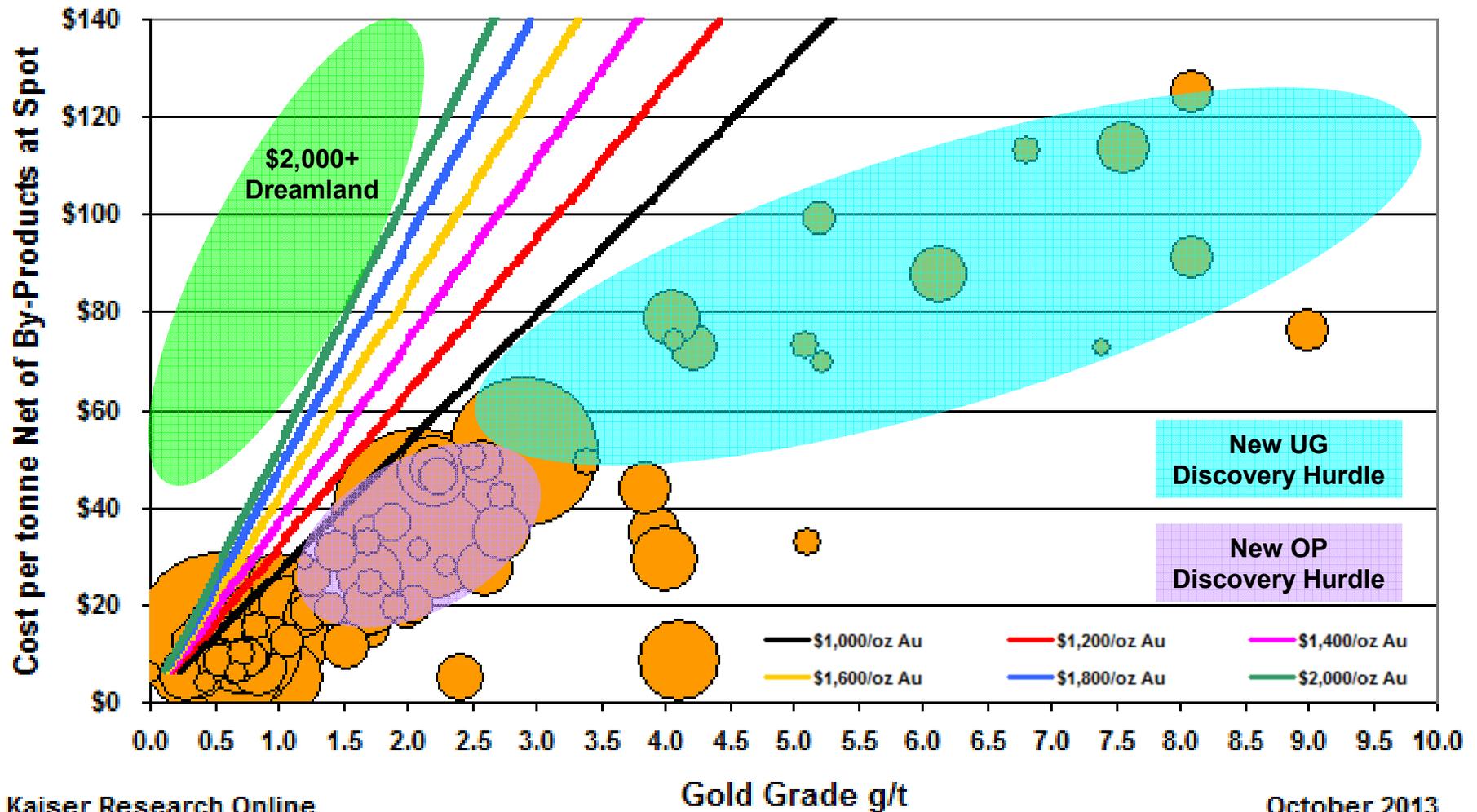
LOM Tonnage: 504,811,000 t @ 2.09 g/t Au  
LOM Output: 30,400,000 oz Au

## All-In Cost vs Grade for Undeveloped Gold Deposits

105 deposits for which PEA, PFS or BFS has been done since 2007 (min 100,000 oz/y)

Additional Potential LOM Production  
 Additional Potential Annual Production  
 (Bubble sizes 100,000 to 1,000,000 oz per year)

13,042 tonnes Au  
 840 tonnes Au  
 81% cost < \$900/oz

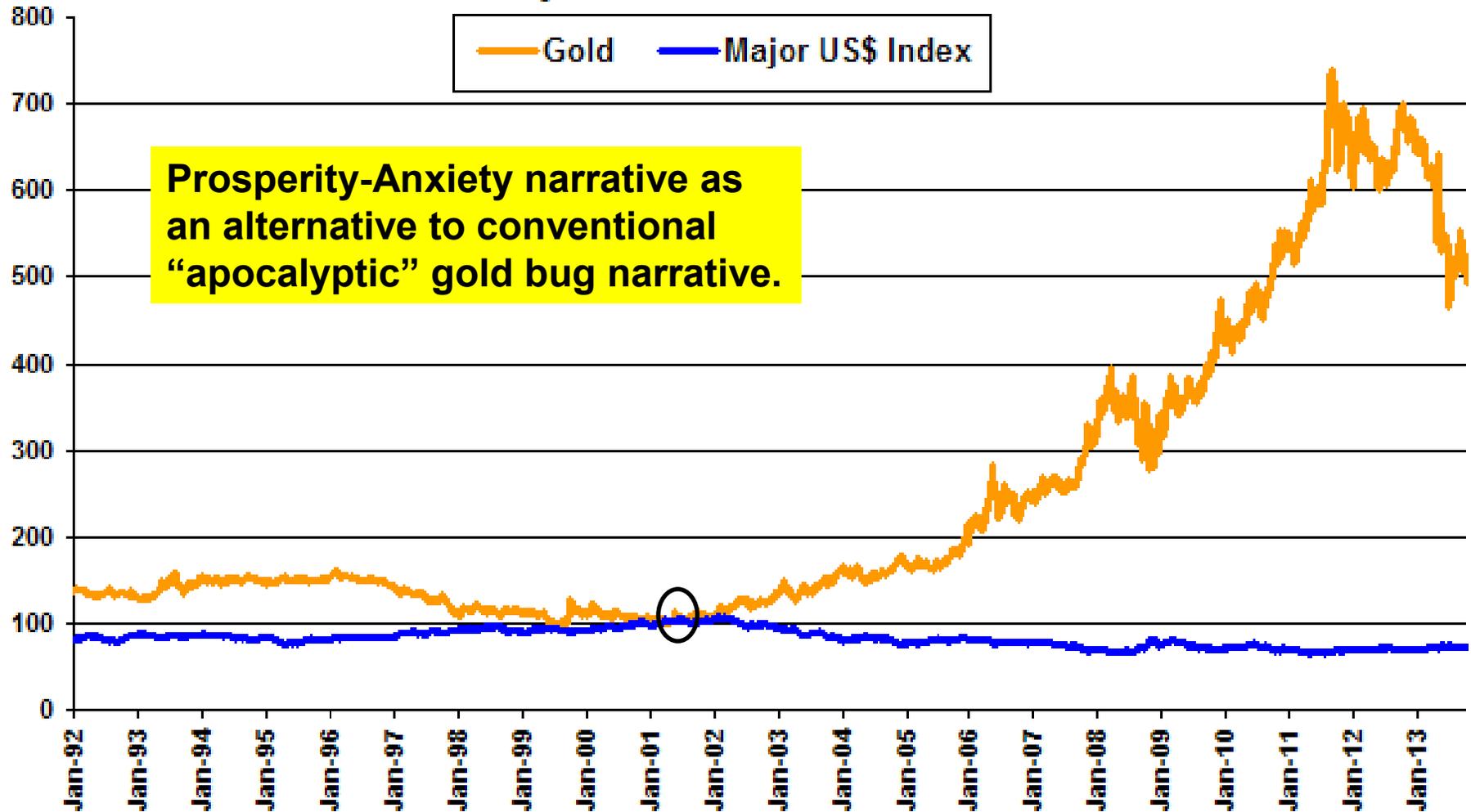


# Gold vs Major US\$ Currency Index

Normalized to 100 on Feb 20, 2001

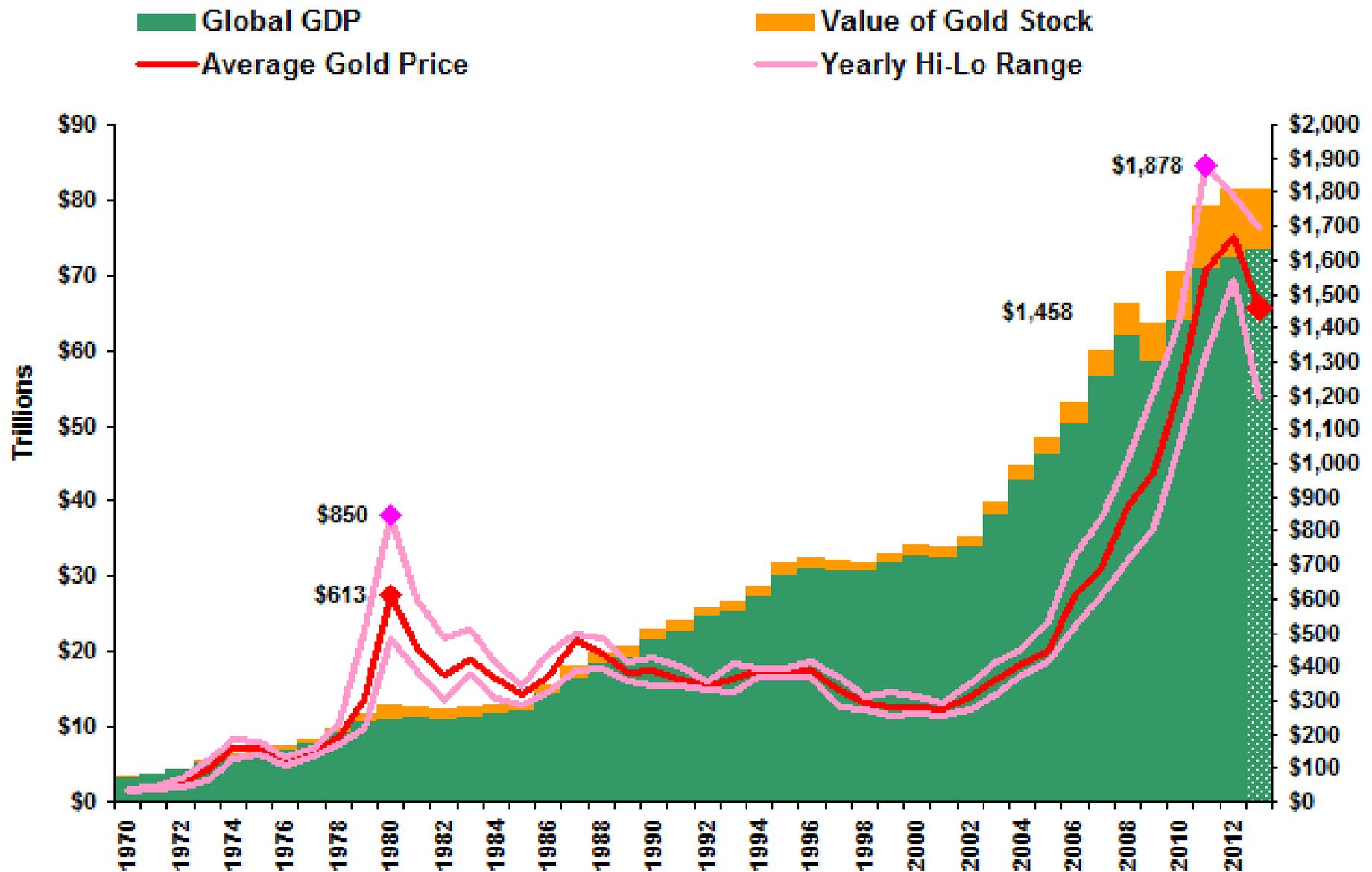
Gold = \$256.25 per oz

Major US\$ Index = 111.84



# Relationship between Global GDP and Value of Existing Gold Stock

(2013 onwards GDP & Mine Supply estimated)



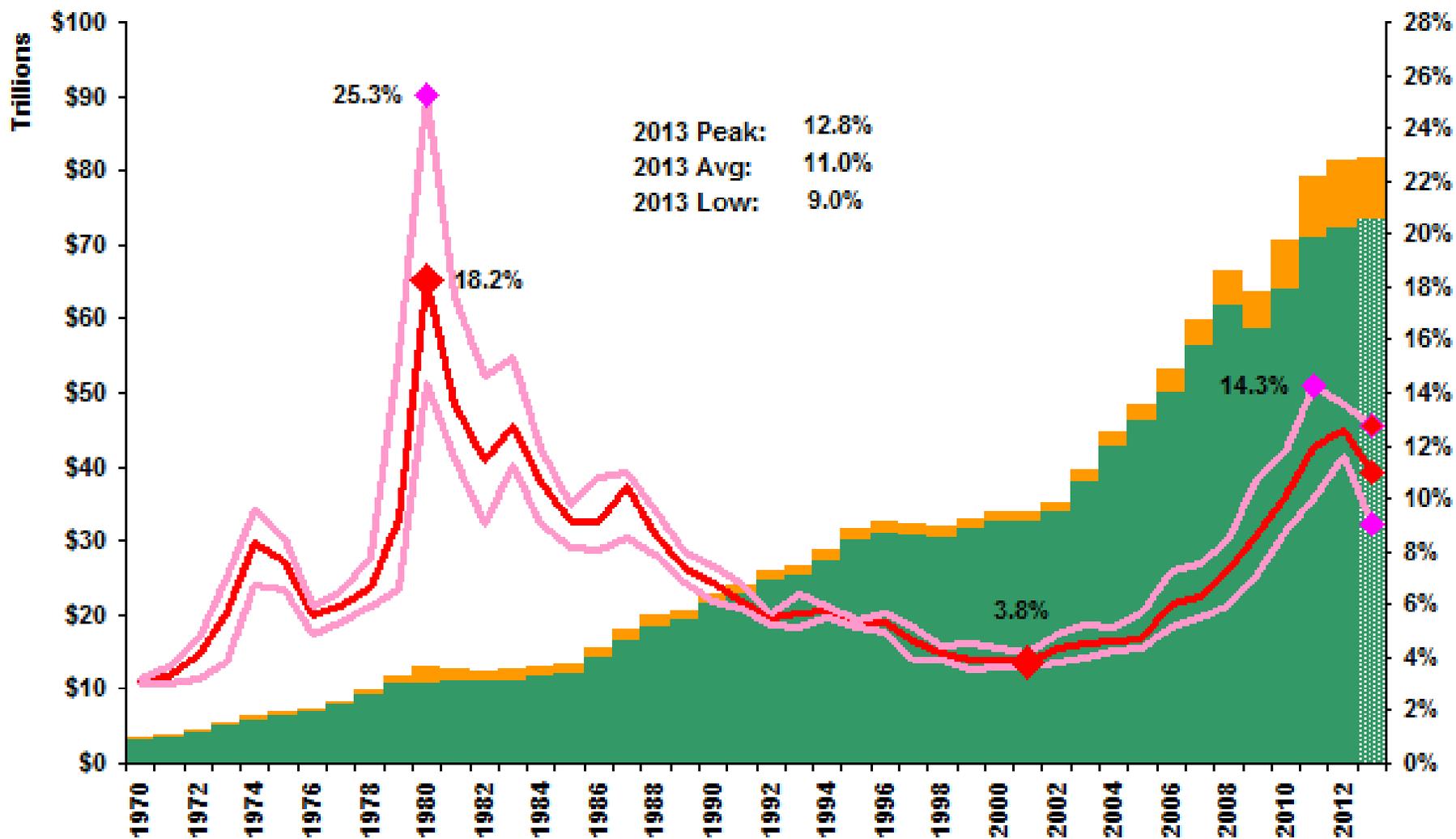
Source: CPM, IMF, World

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## Relationship between Global GDP and Value of Existing Gold & Silver Stock (2013 onwards GDP & Mine Supply estimated)

■ Global GDP   
 ■ Value of Gold Stock   
 — Gold Stock Value as % of GDP   
 — Gold % of GDP Hi-Lo Range



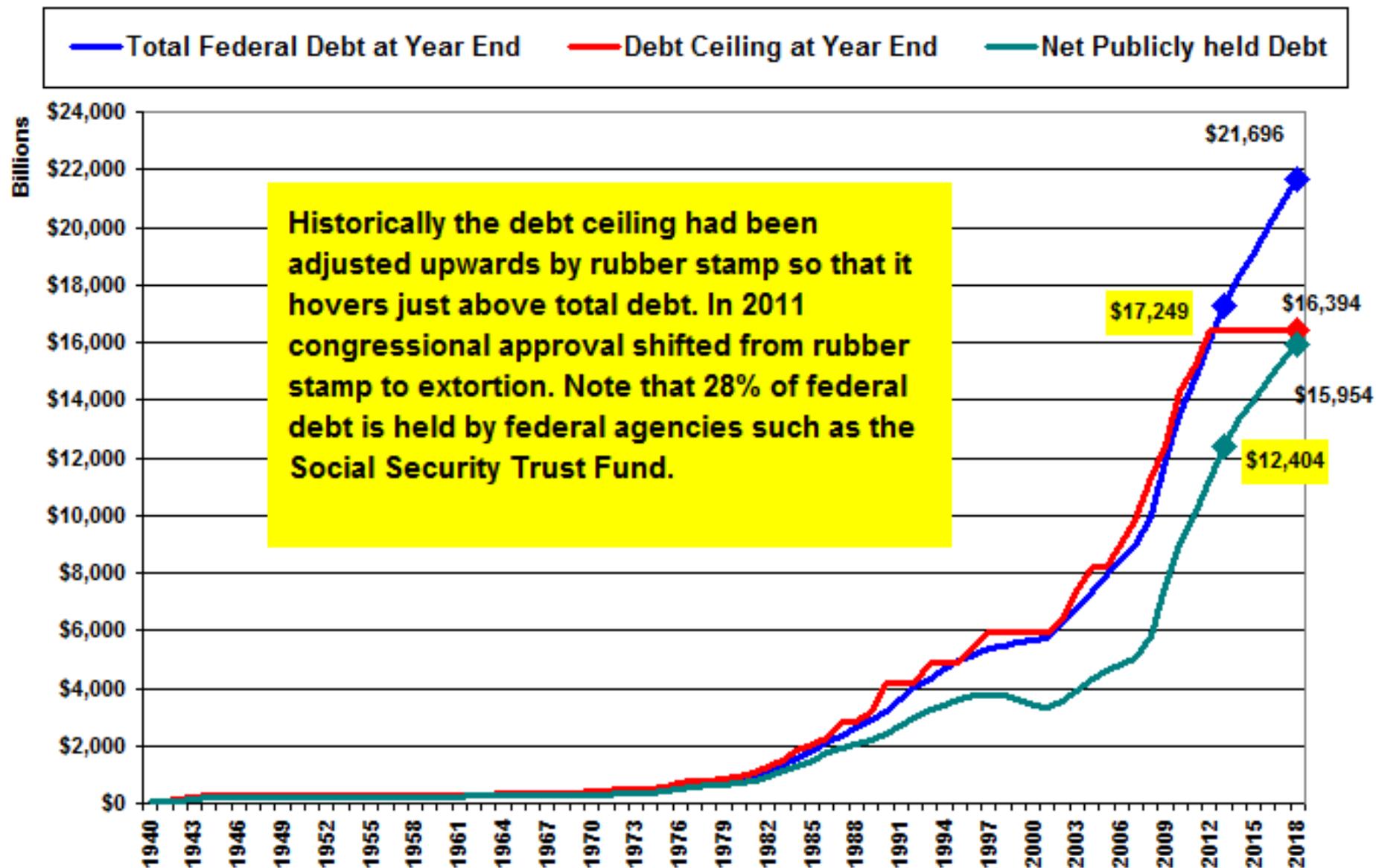
Source: CPM, IMF, World Bank

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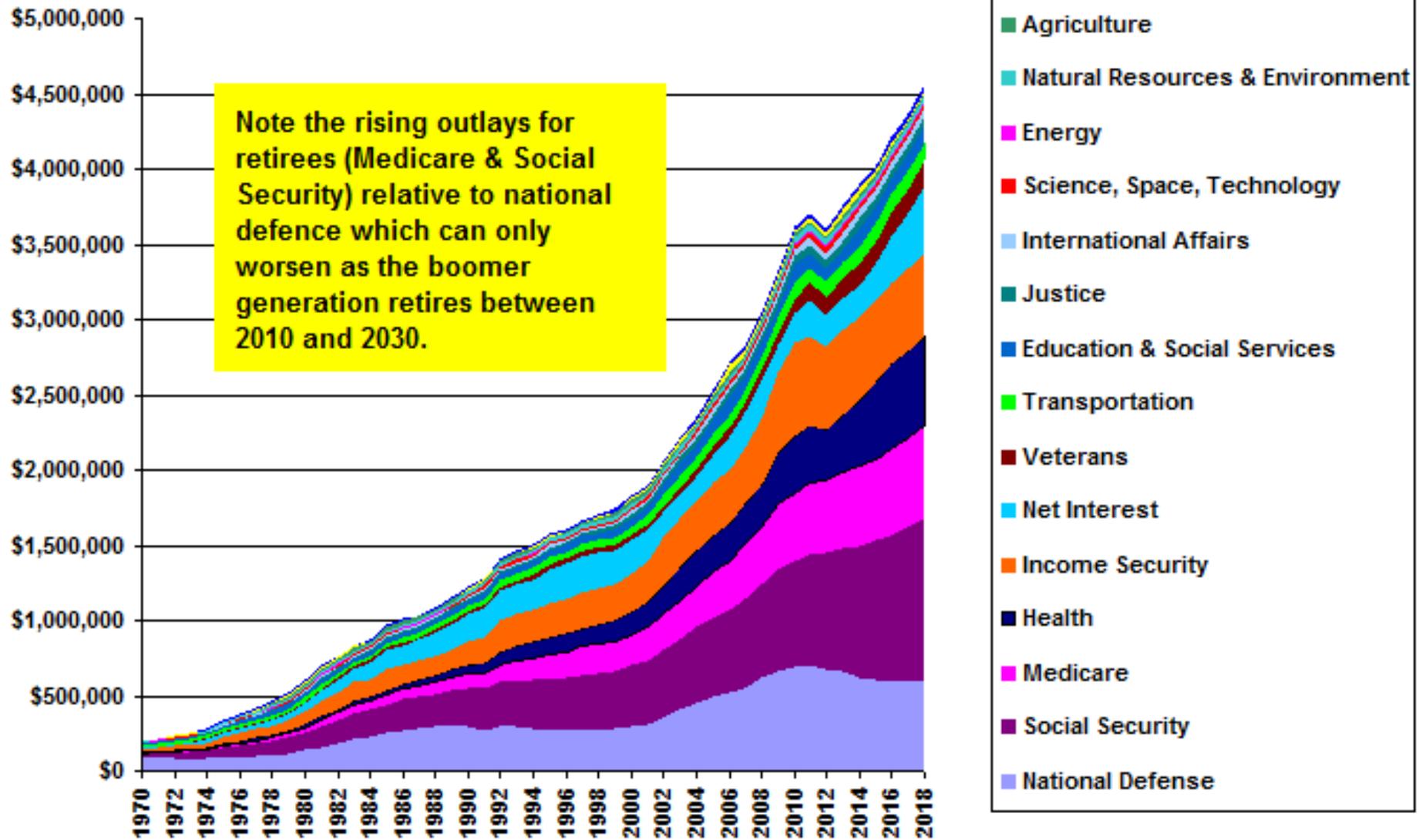
## Federal Debt subject to Statutory Limit (The Debt Ceiling)

(2013-2018 debt figures are OMB estimates)



# US Federal Outlays - millions

(2013-2018 are estimates)

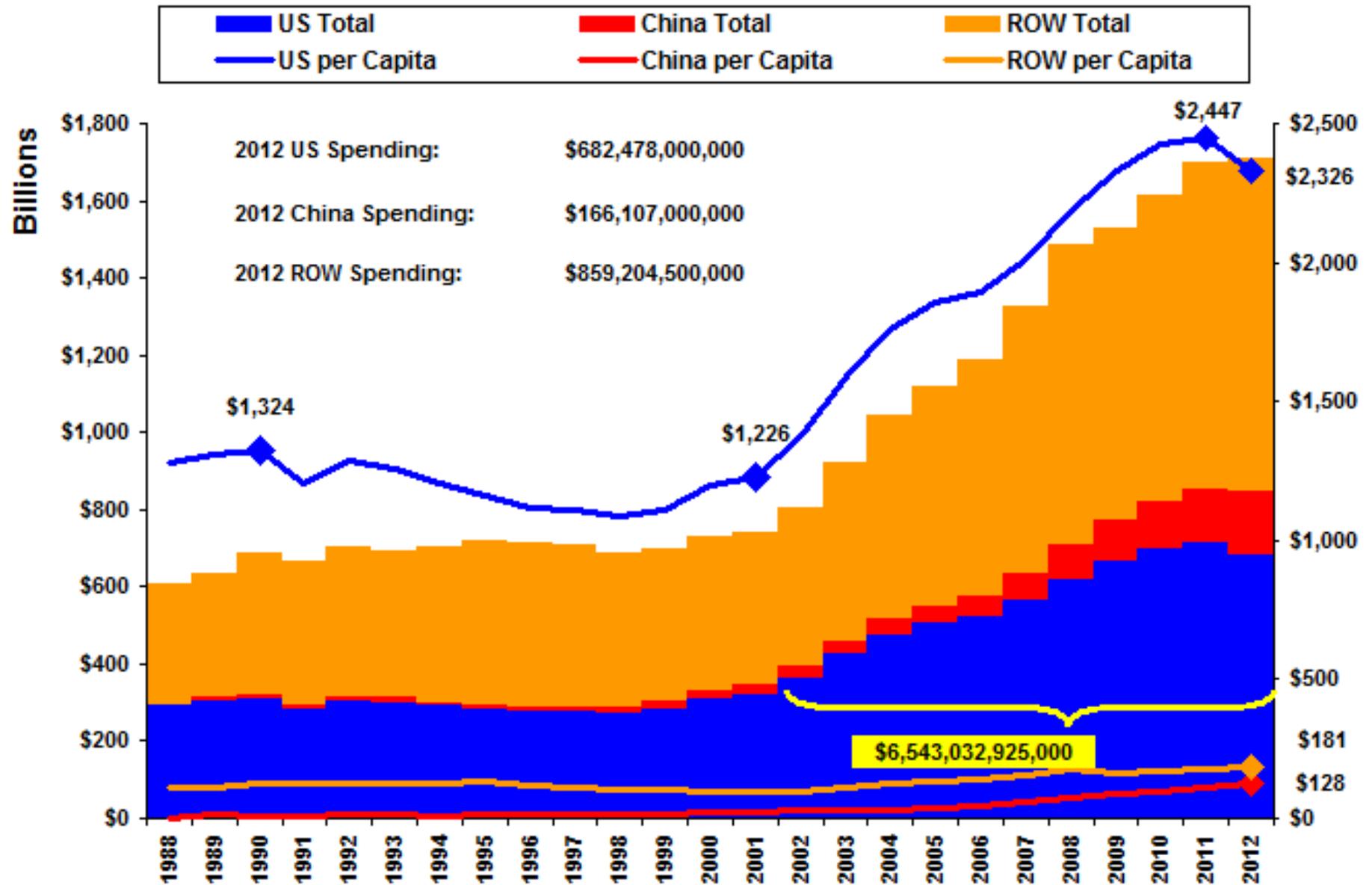


Source: Office of Management & Budget

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# Annual Military Spending

(US figures do not include veterans spending - \$100 billion in 2012)



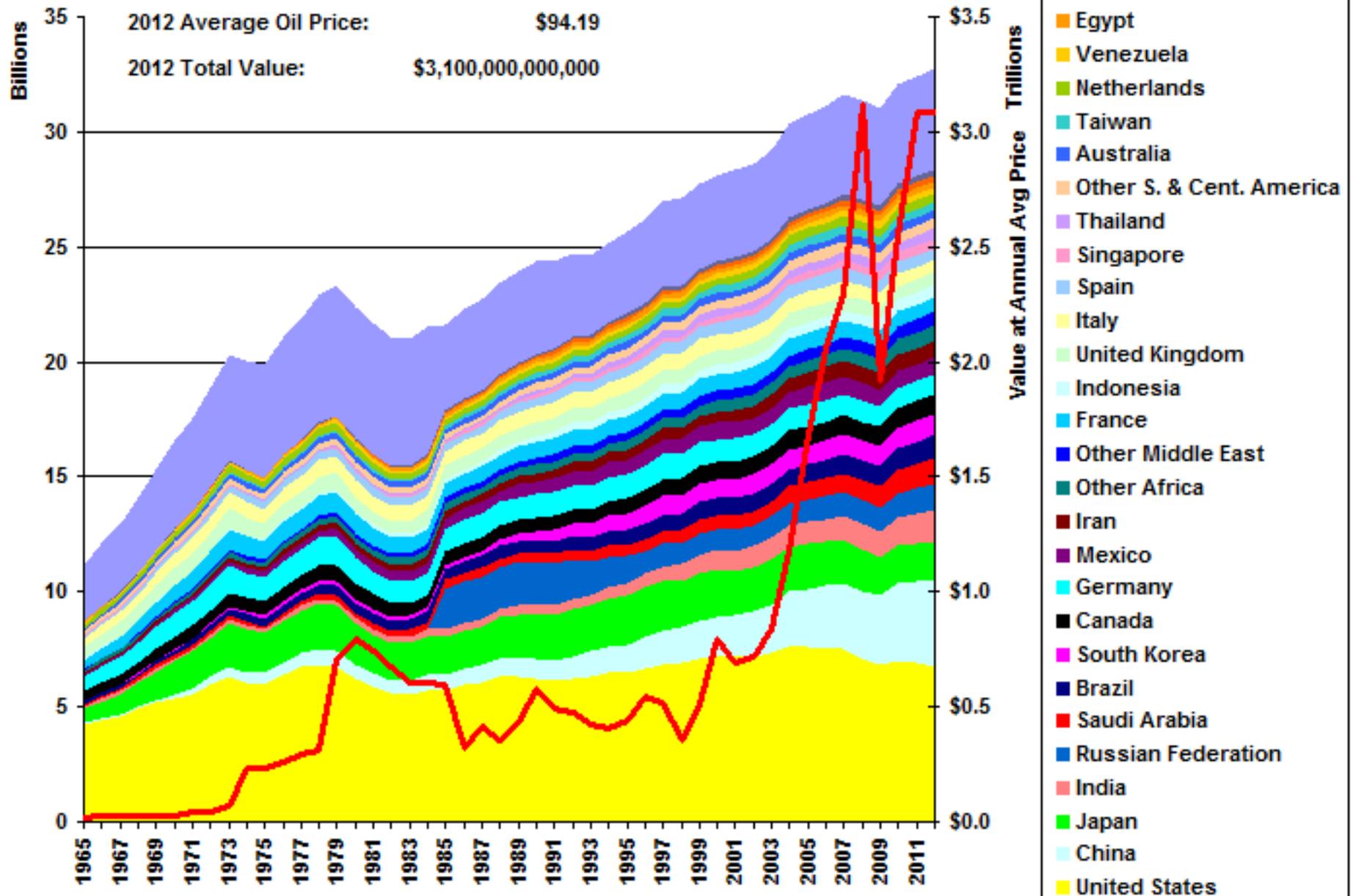
# Oil Consumption- barrels per year

Source: BP 2013

2012 Consumption (bbls): 32,800,000,000

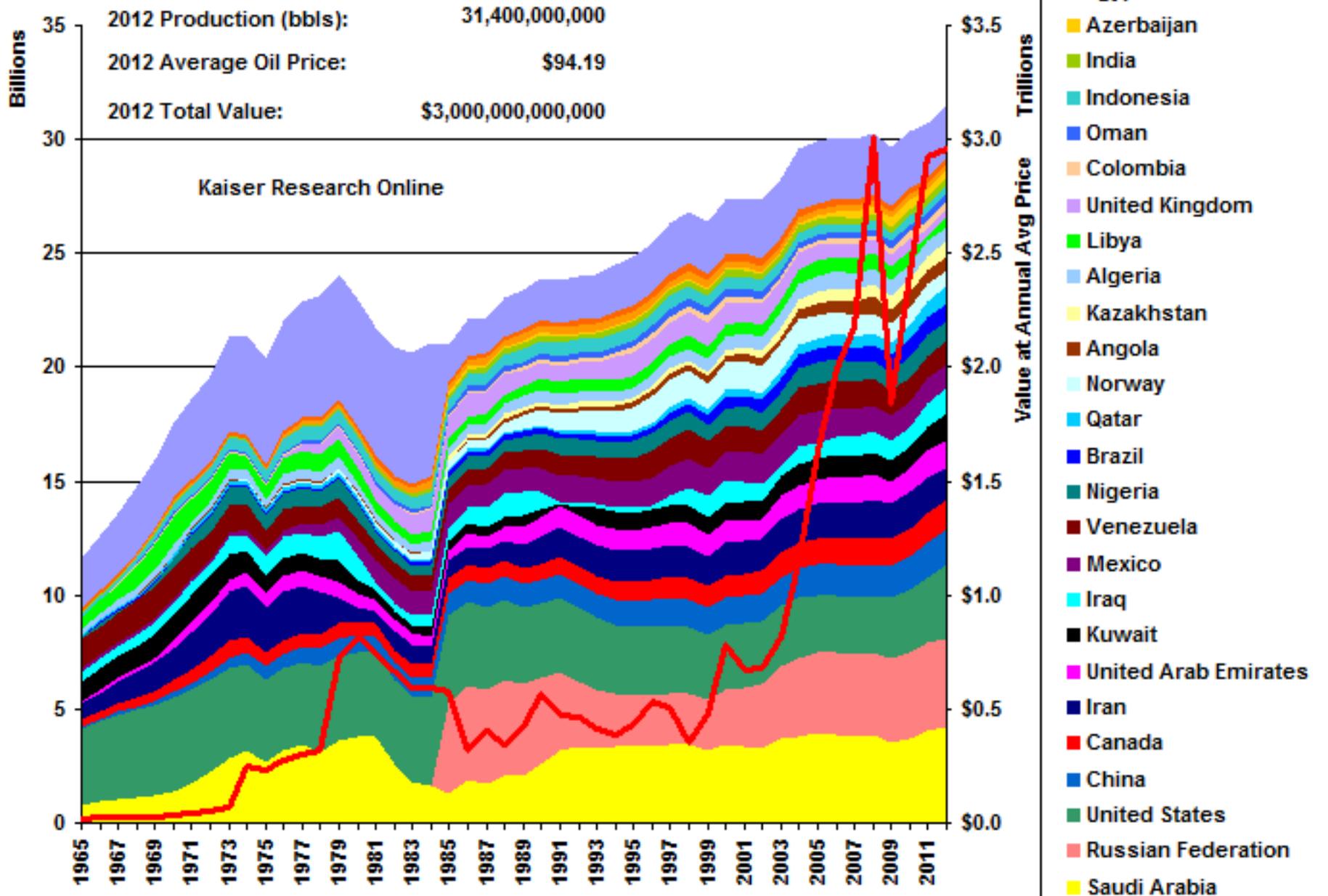
2012 Average Oil Price: \$94.19

2012 Total Value: \$3,100,000,000,000



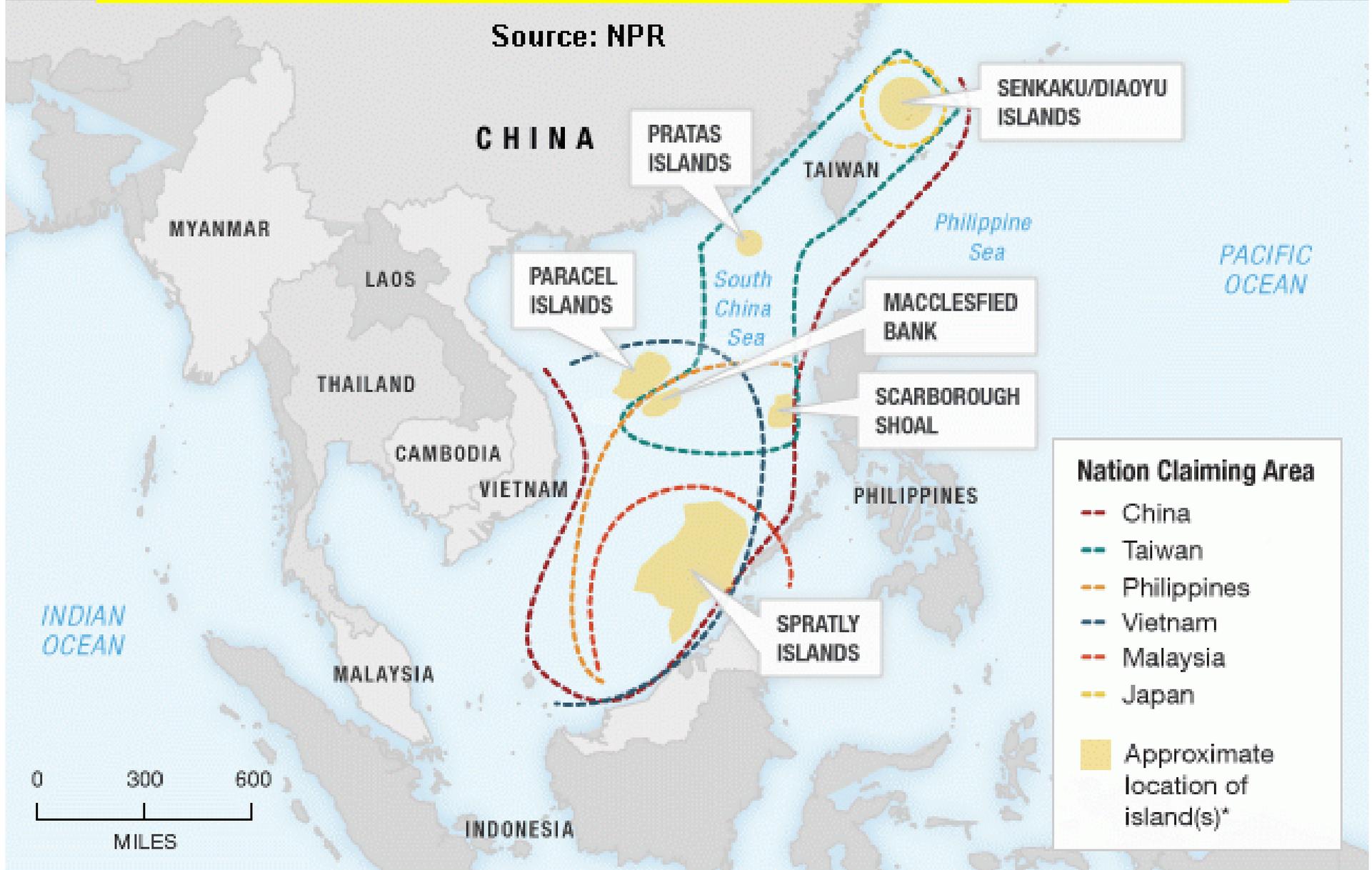
# Oil Production - barrels per year

Source: BP 2013

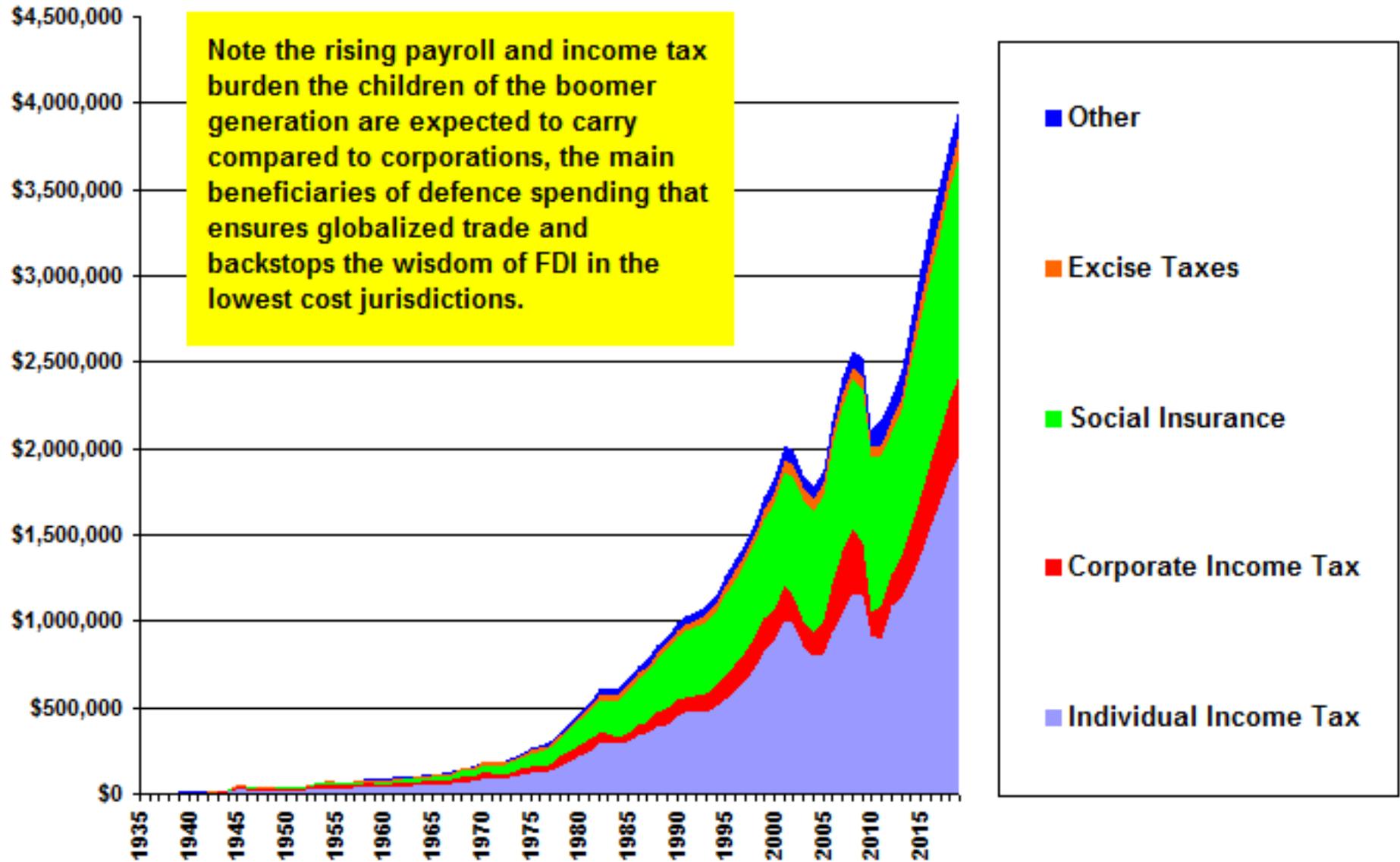


China's offshore oil ambitions can be solved by Japanese style imperialism. Although the US Defense has a Pivot to Asia underway, how sympathetic are American taxpayers going to be if China acts to secure the shipping channels that are its lifeblood?

Source: NPR



## Federal Revenues by Source - millions (2012-2018 estimates)

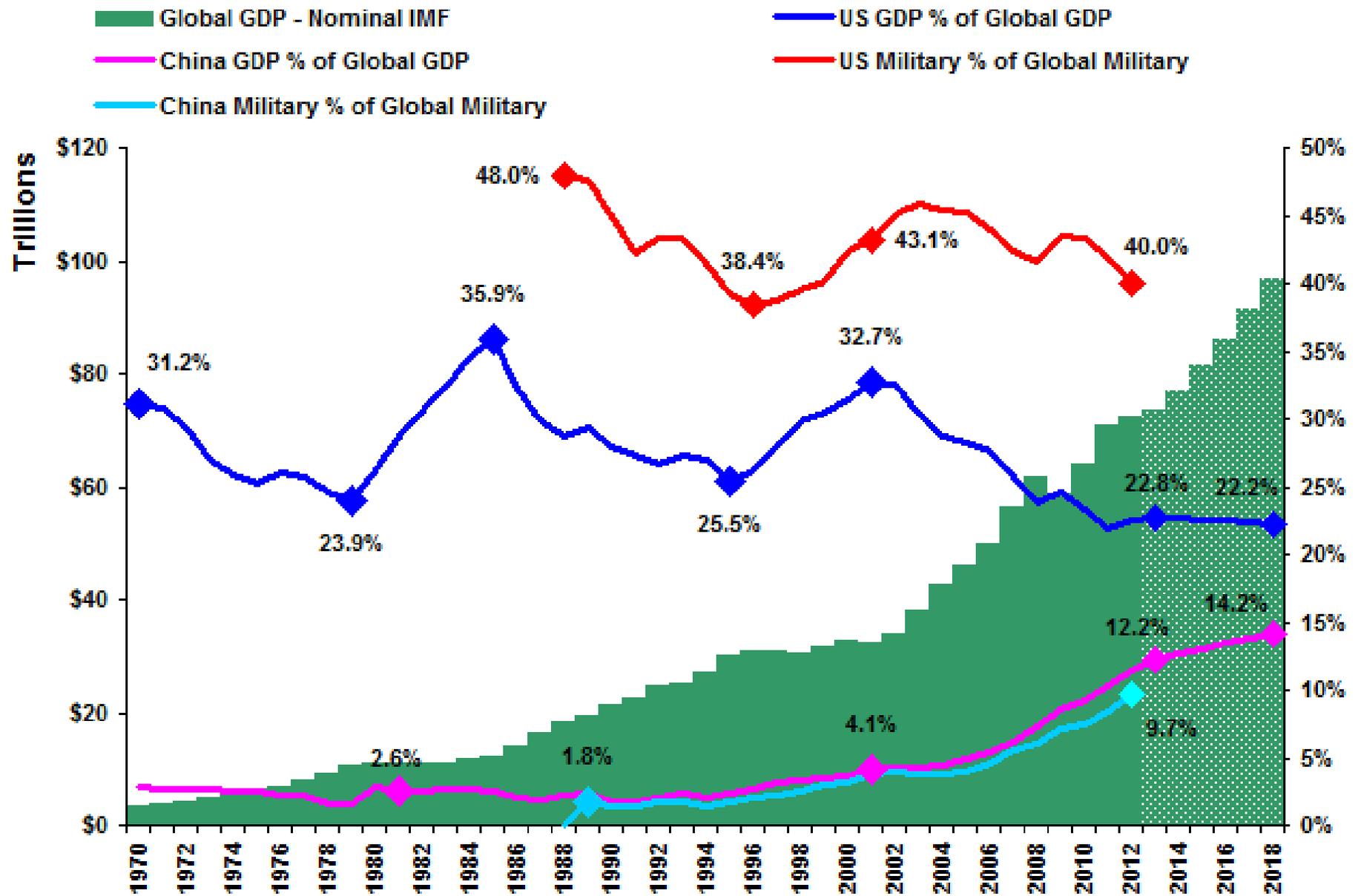


Source: Office of Management & Budget

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## US & China Relative Percentage of Global GDP & Military Spending

(2013-2018 GDP estimates by IMF)



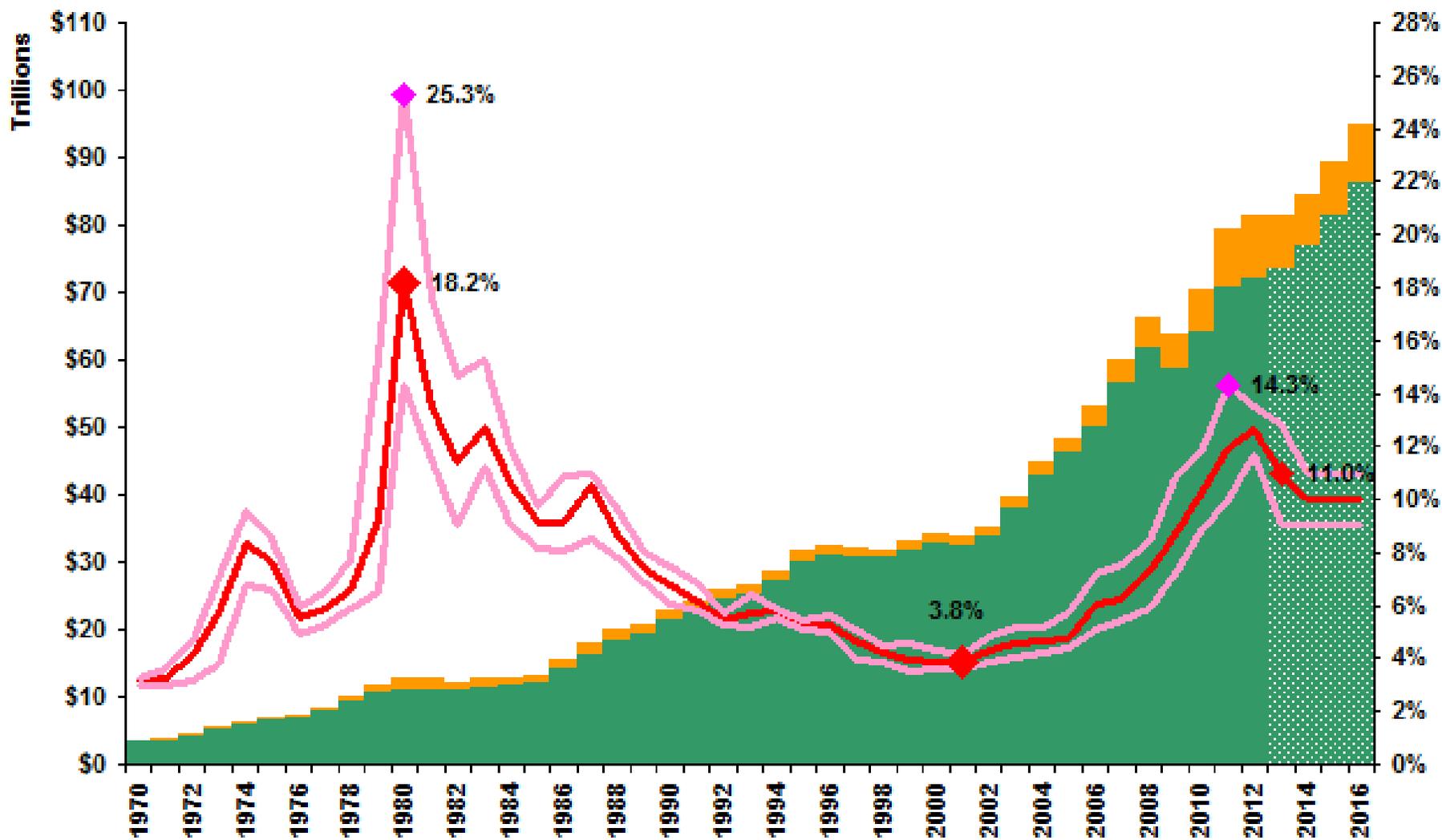
Source: IMF, SIPRI, World Bank

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## Relationship between Global GDP and Value of Existing Gold & Silver Stock (2013 onwards GDP & Mine Supply estimated)

■ Global GDP   
 ■ Value of Gold Stock   
 — Gold Value as % of GDP   
 — Gold % of GDP Hi-Lo Range



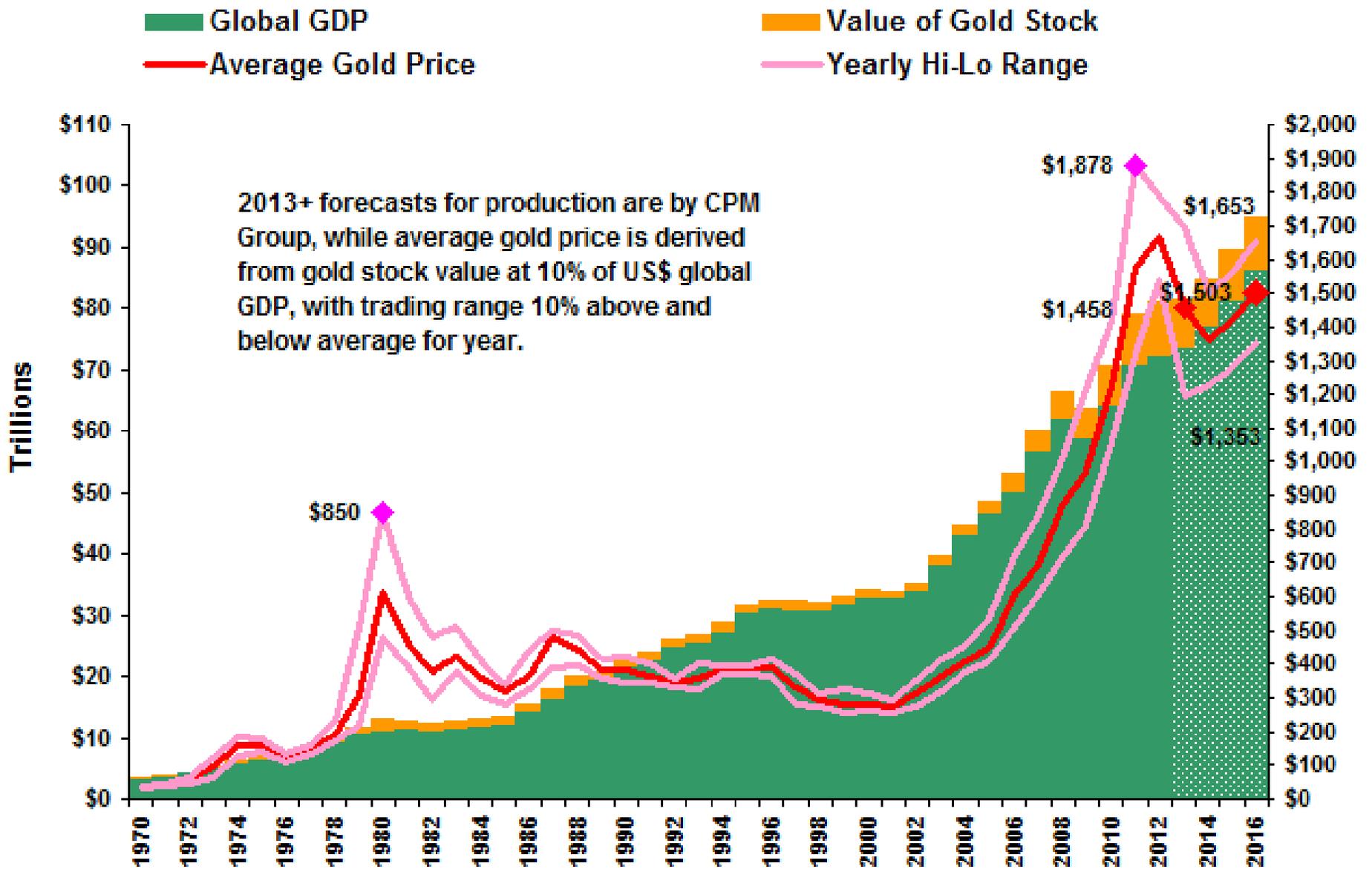
Source: CPM, IMF, World Bank

October 2013

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# Relationship between Global GDP and Value of Existing Gold Stock

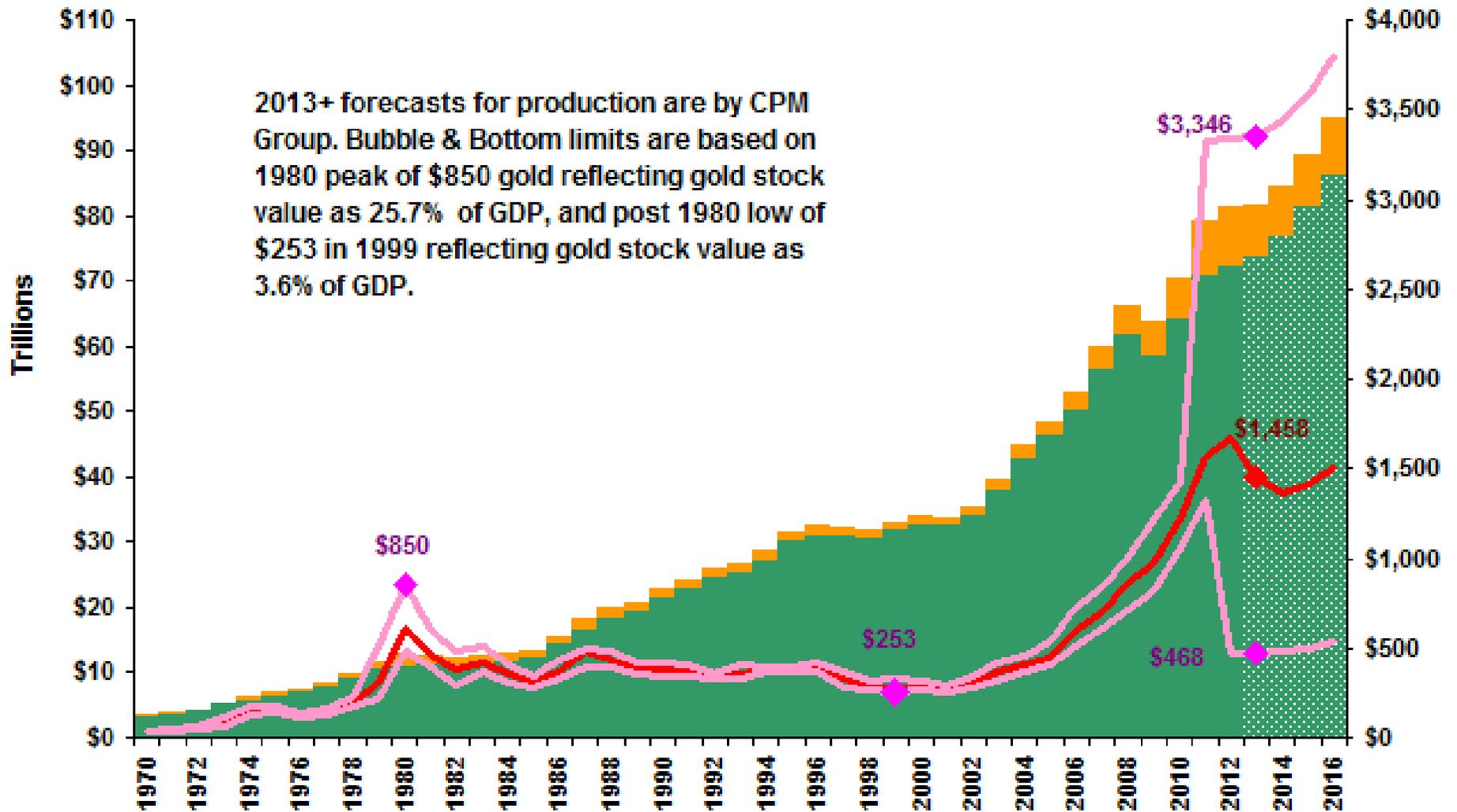
(2013 onwards GDP & Mine Supply estimated)



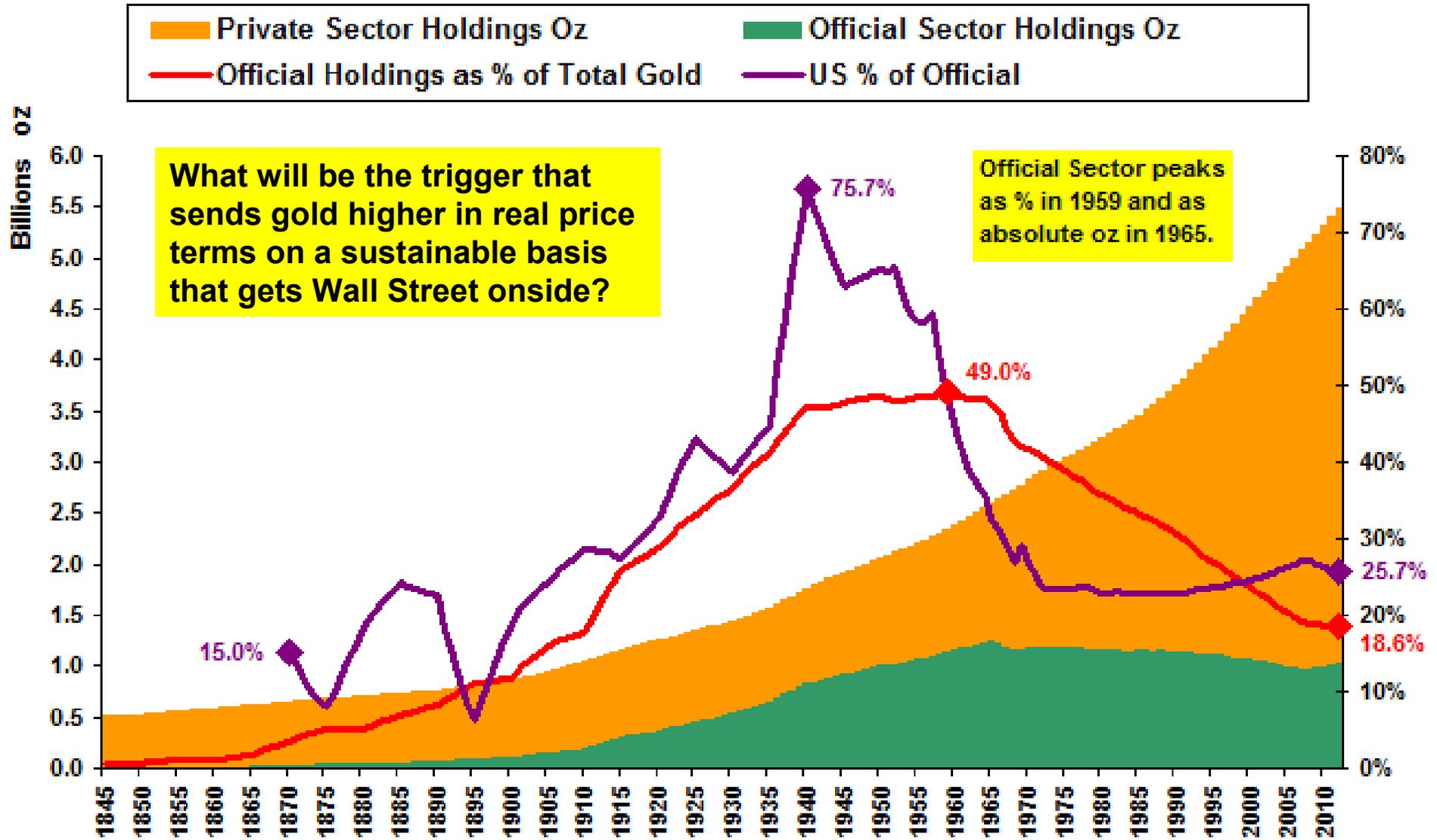
# Past Peak & Bottom Based Bubble & Bear Limits for Gold

(2013 onwards GDP & Mine Supply estimated)

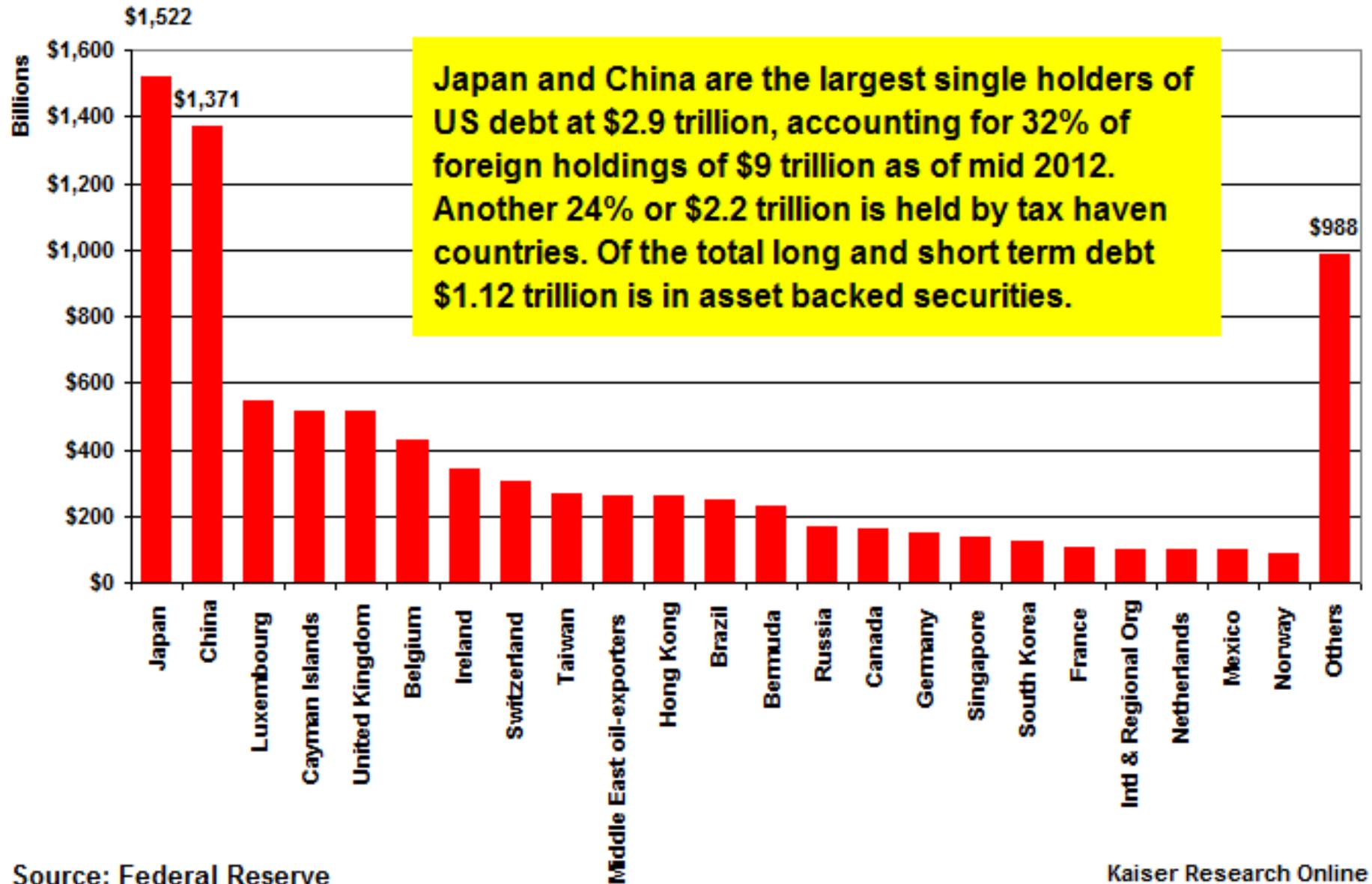
- Global GDP
- Value of Gold Stock
- Average Gold Price
- Yearly Hi-Lo Range



## Trends in Official & Private Sector Gold Holdings



## Foreign Holdings of US Debt As of June 30, 2012 - preliminary Feb 28, 2013

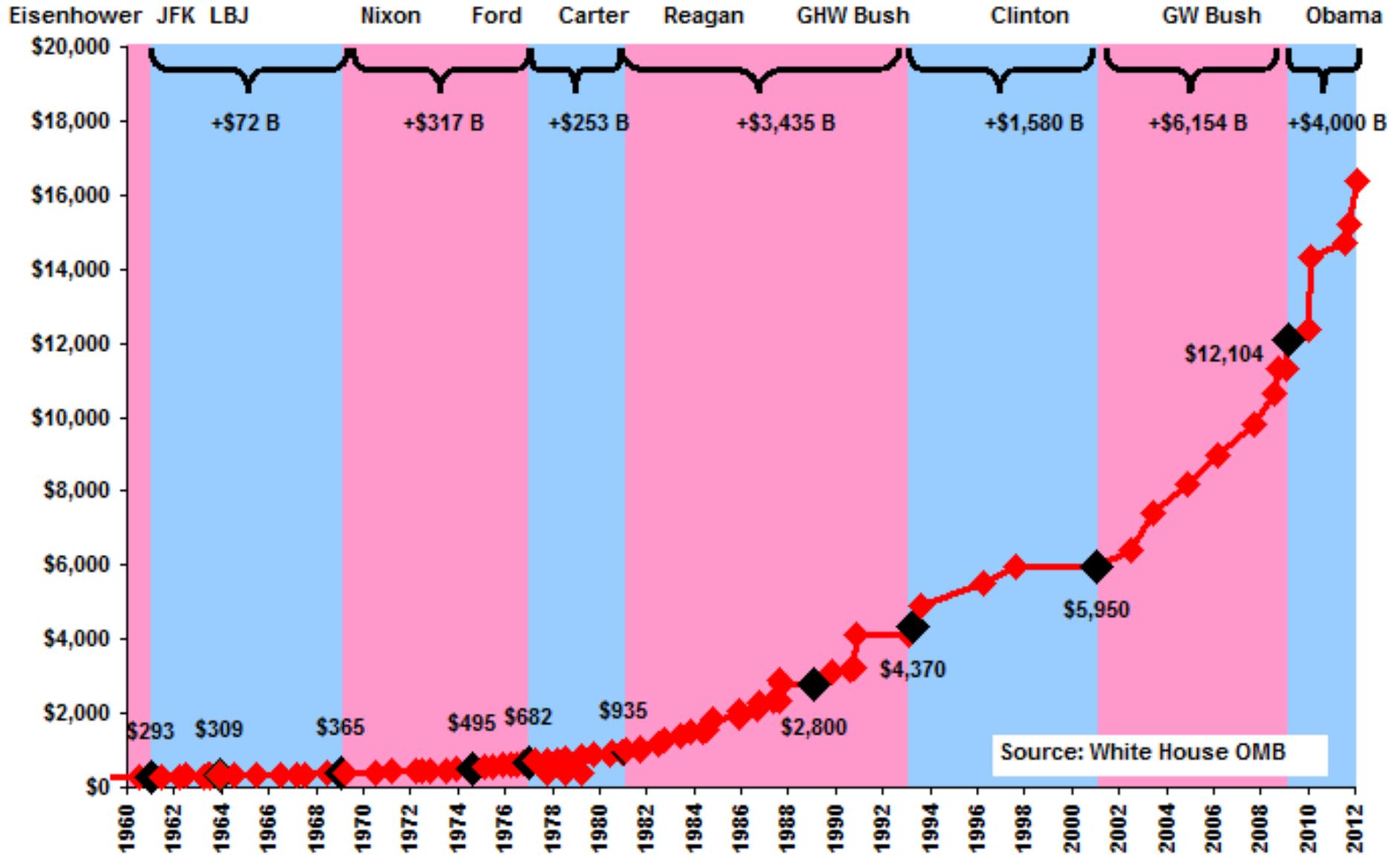


Source: Federal Reserve

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# US Debt Ceiling Increases

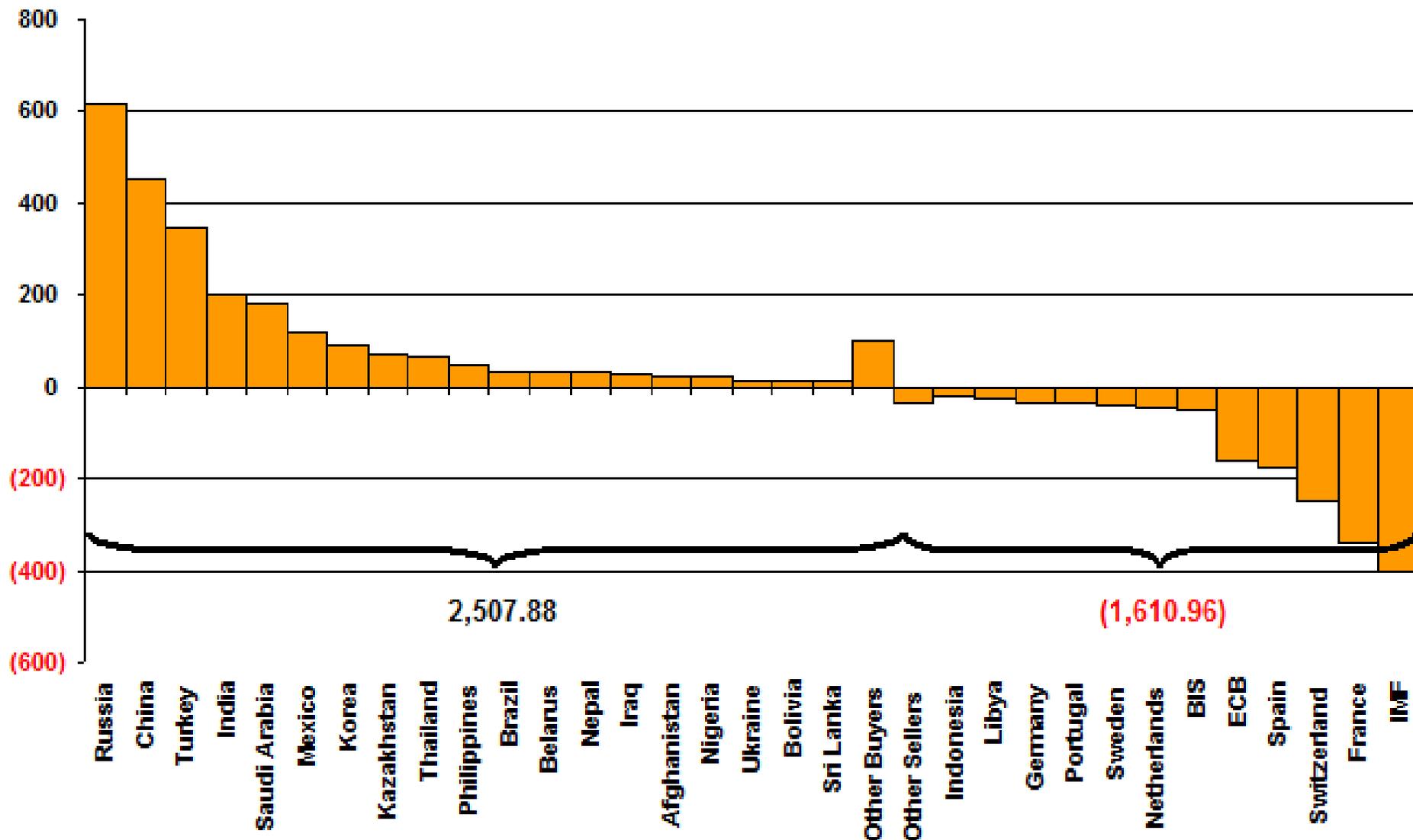
Republican President Democrat President Debt Ceiling



Source: White House OMB

# Official Sector Gold Holding Change since 2007

+ 897 tonnes or 28.8 million ounces as of Sept 2013



Source: World Gold Council

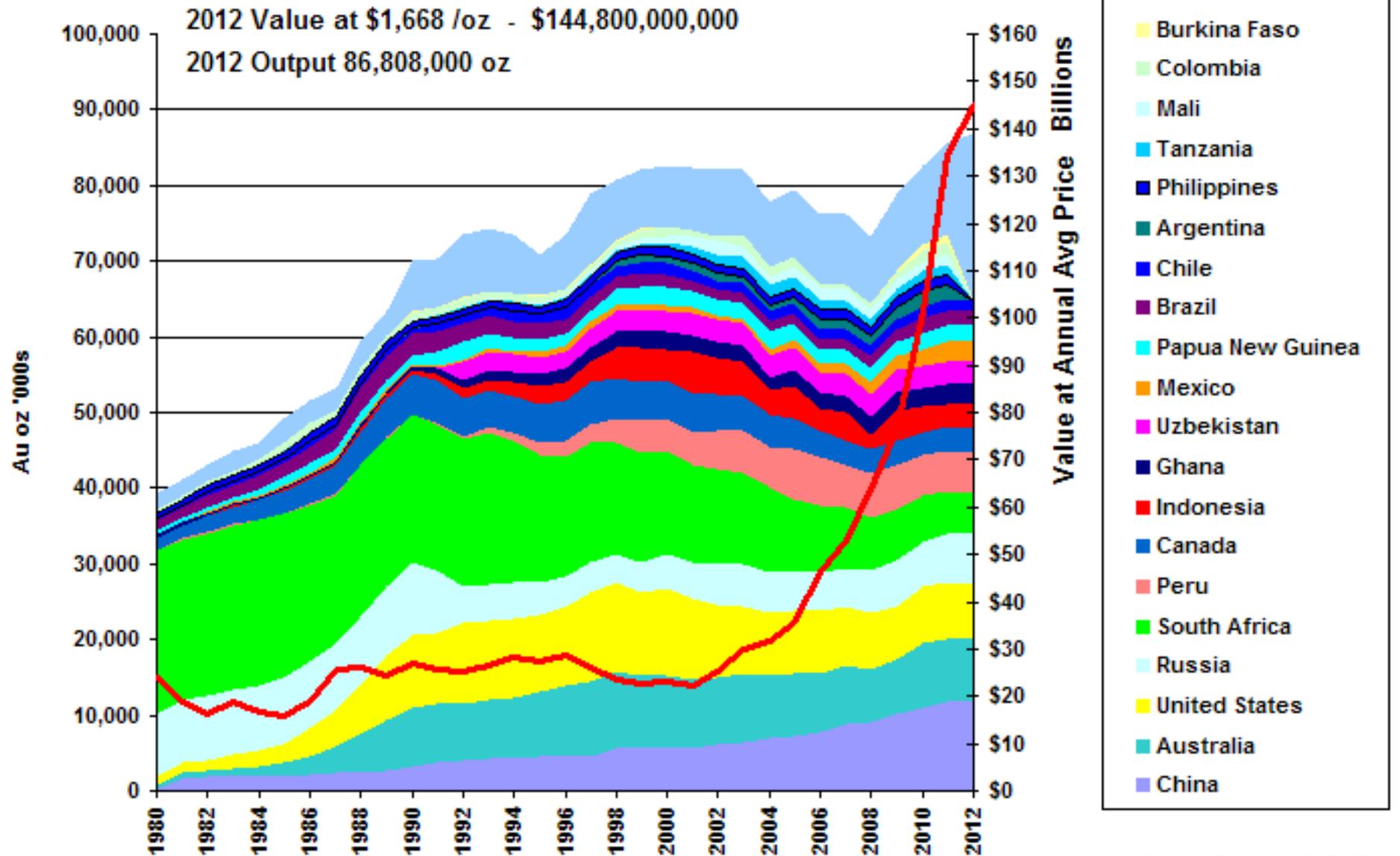
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# Annual Gold Production

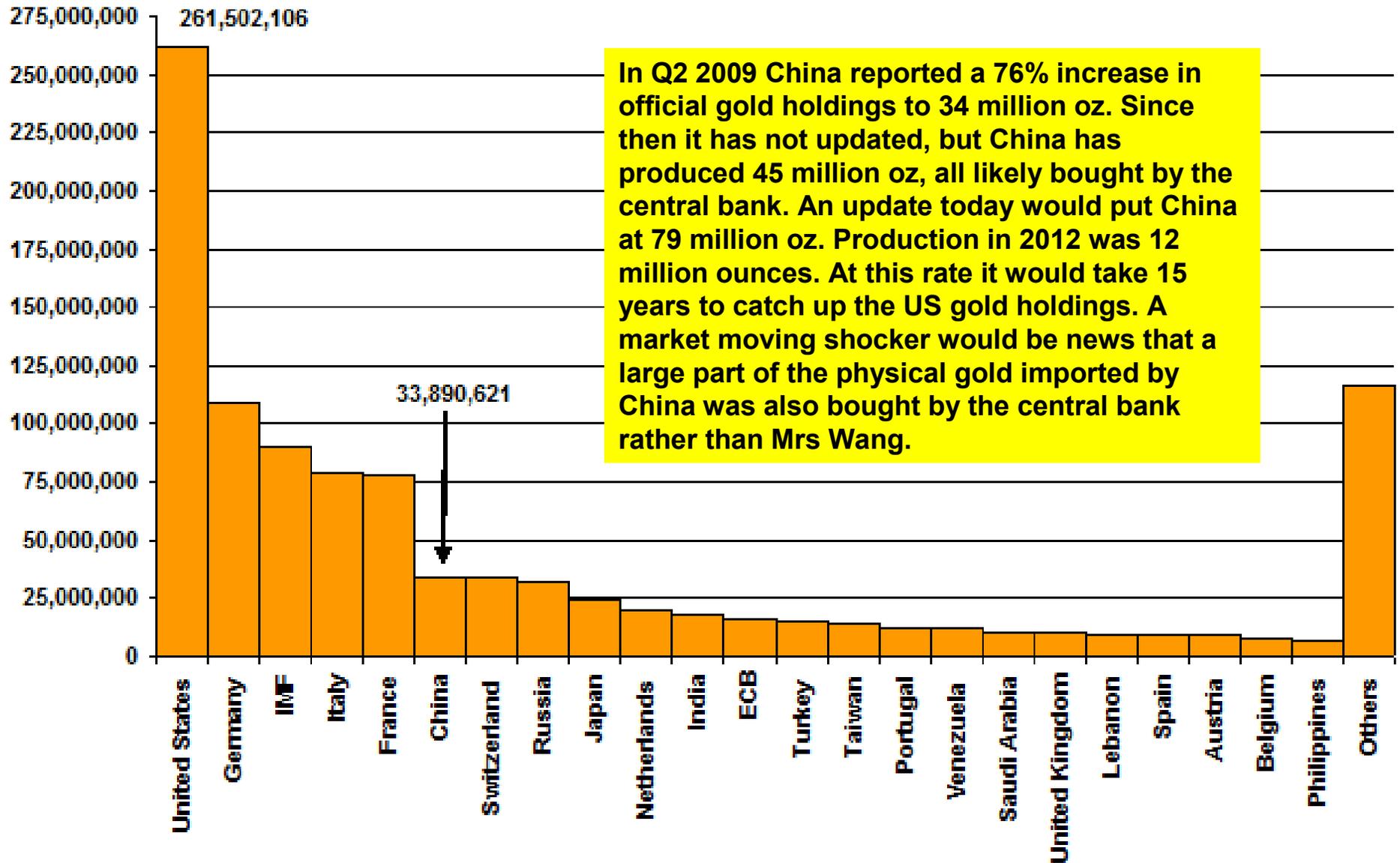
Production Data Source: USGS, CPM

Annual Production Value based on average annual gold price



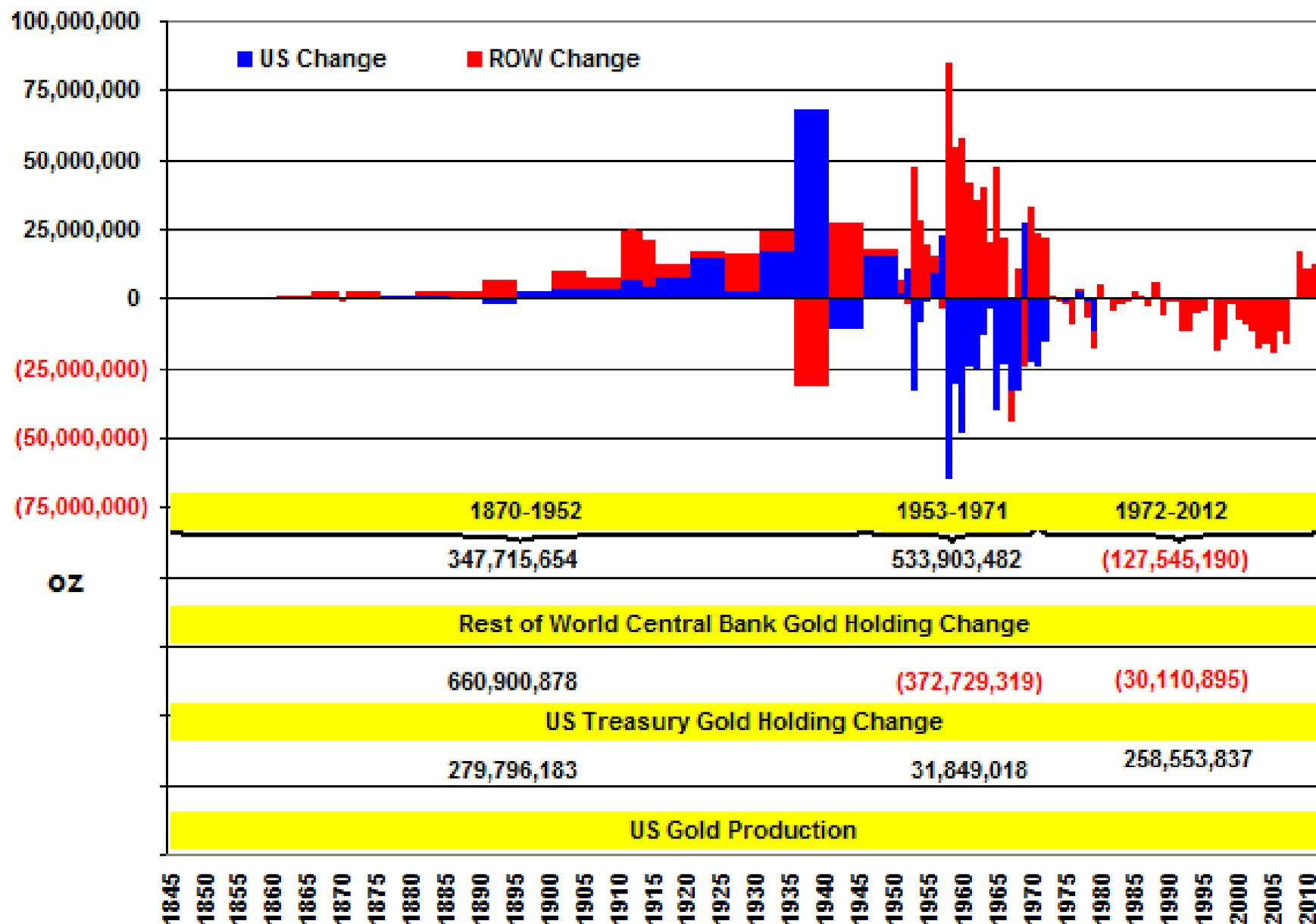
## Official Gold Holdings - Sept 2013

### 1,027 million ounces (31,930 tonnes)



In Q2 2009 China reported a 76% increase in official gold holdings to 34 million oz. Since then it has not updated, but China has produced 45 million oz, all likely bought by the central bank. An update today would put China at 79 million oz. Production in 2012 was 12 million ounces. At this rate it would take 15 years to catch up the US gold holdings. A market moving shocker would be news that a large part of the physical gold imported by China was also bought by the central bank rather than Mrs Wang.

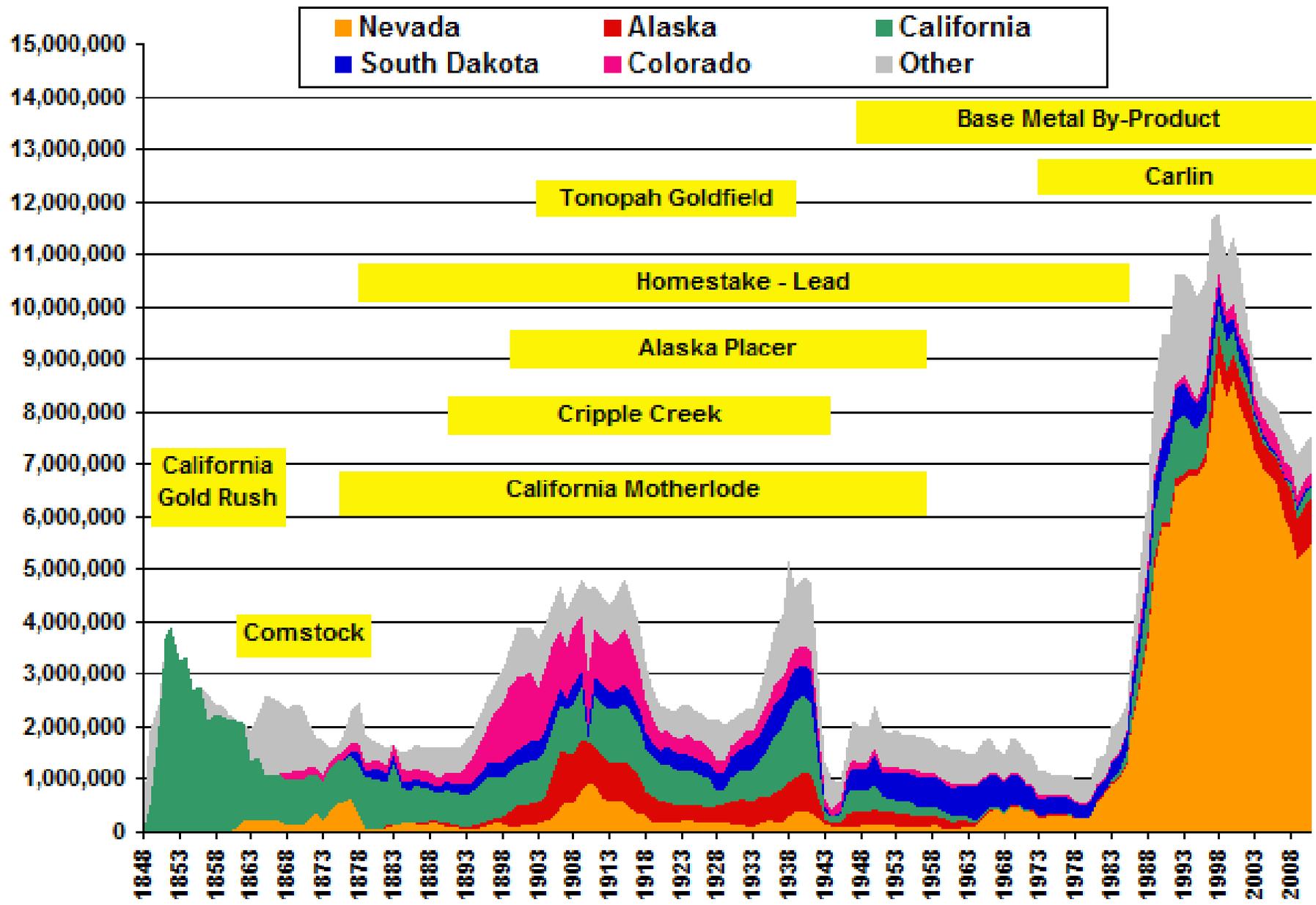
## Annual Change in Official Sector Gold Holdings (Oz)



Source: World Gold Council

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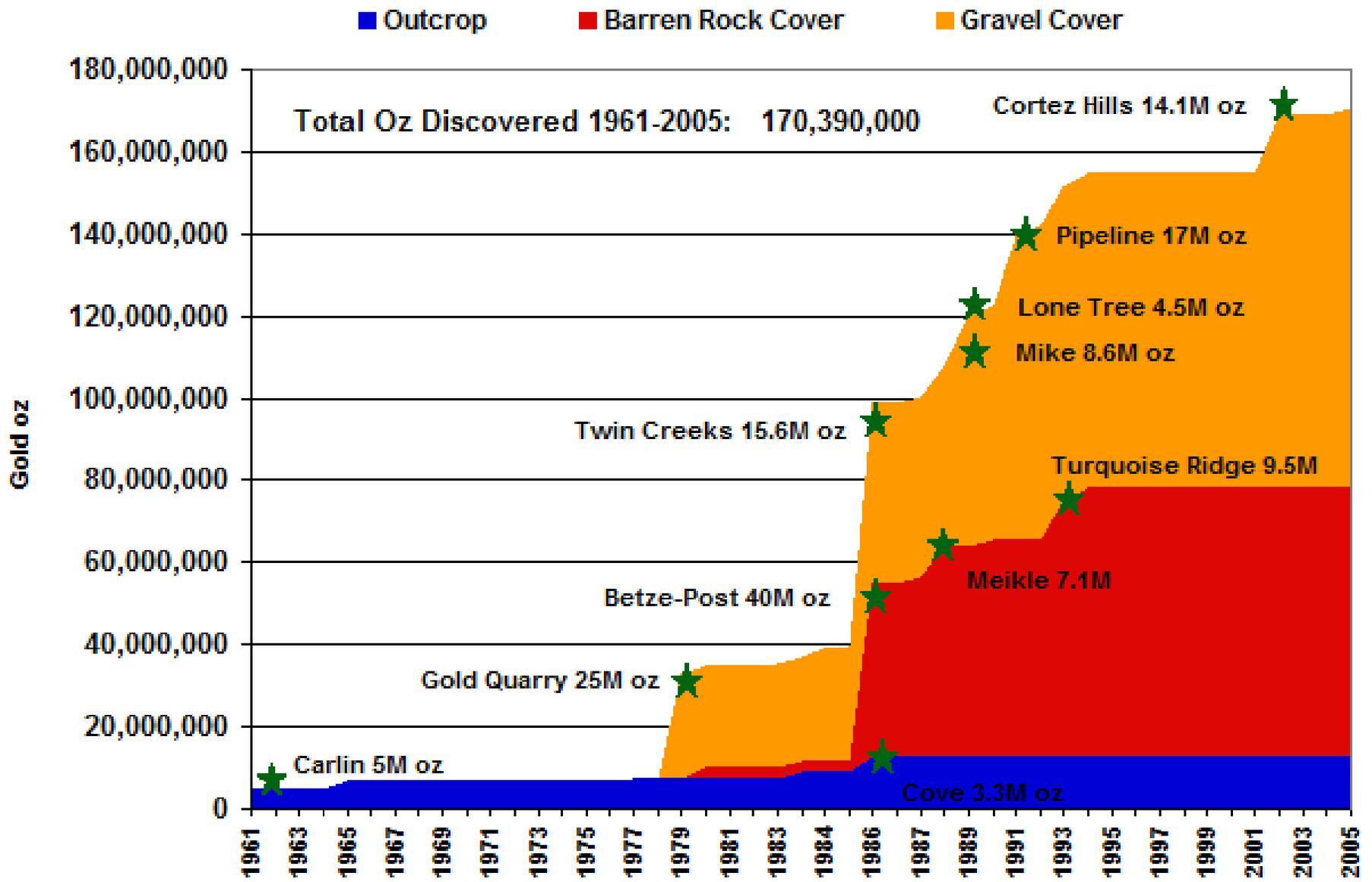
# US Gold Production (oz)



Source: USGS

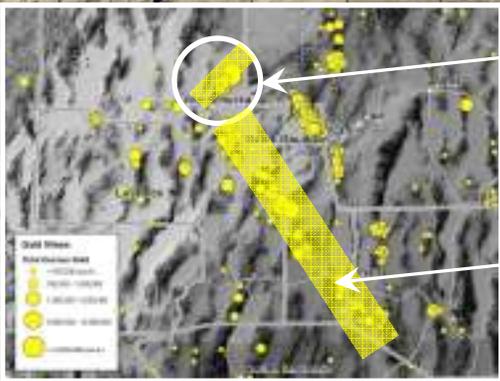
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## Cumulative Gold Discovery in Nevada Selected Deposits



Source: Economic Geology 2011 - John Muntean & Paul Taufen

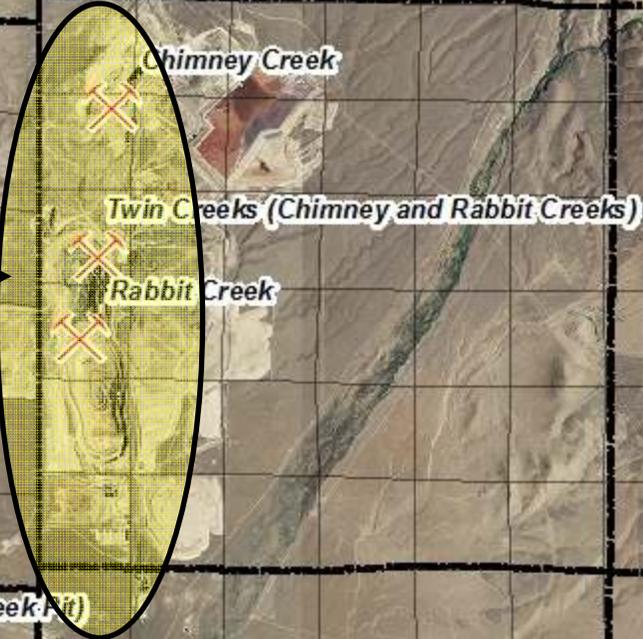
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Location of  
Getchell  
Gold "Trend"

Battle Mtn – Eureka  
Gold "Trend"

1993-2011 Production: 10,663,020 ounces gold  
2011 Global Resource: 6,219,600 ounces gold  
**Total: 16,882,620 ounces gold**



1938-2011 Production: 5,195,175 ounces gold  
2011 Global Resource: 29,774,175 ounces gold  
**Total: 34,969,350 ounces gold**



**Total: 56,000,000 oz gold**

Source: NGE presentation

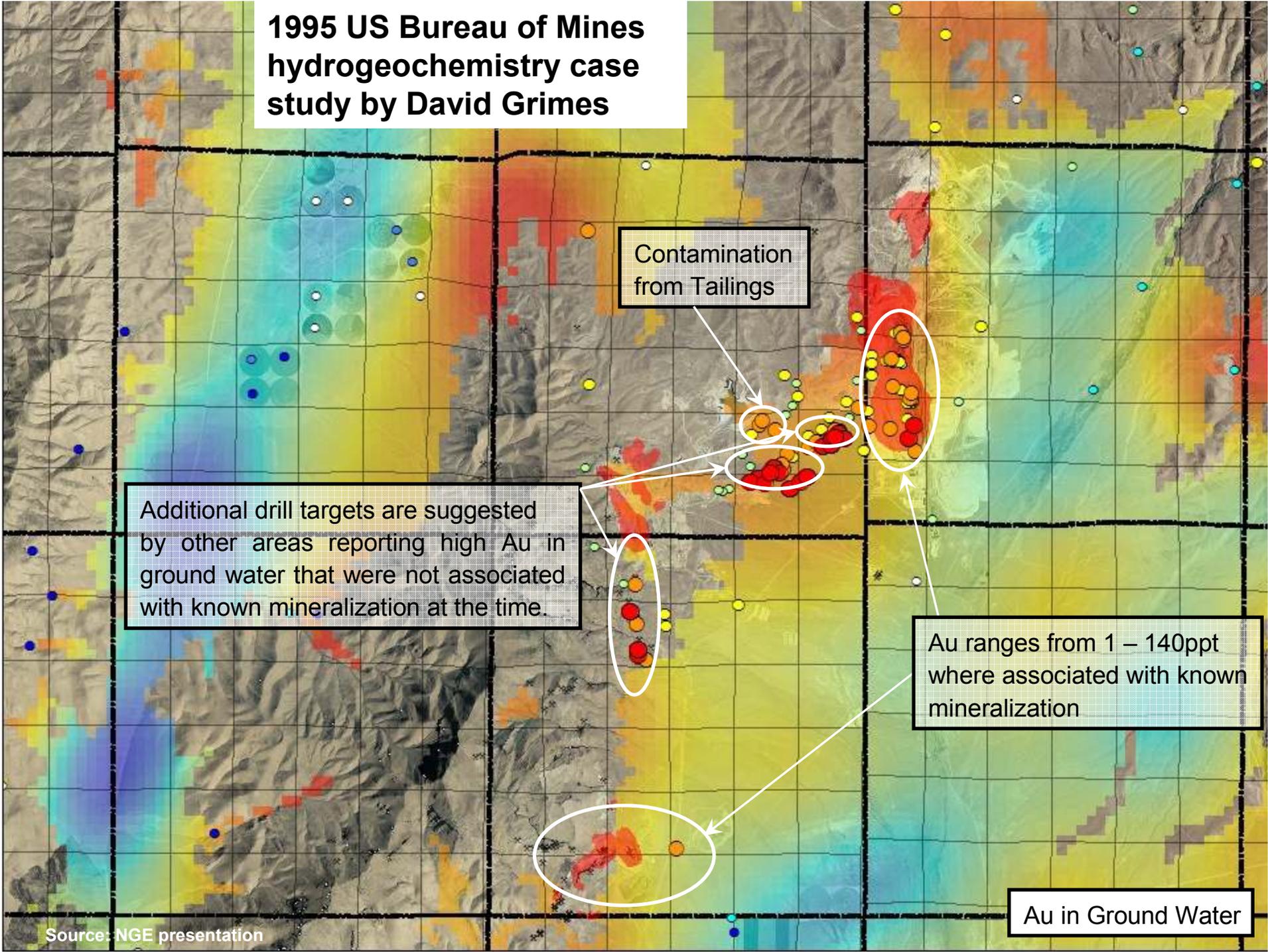
**1995 US Bureau of Mines  
hydrogeochemistry case  
study by David Grimes**

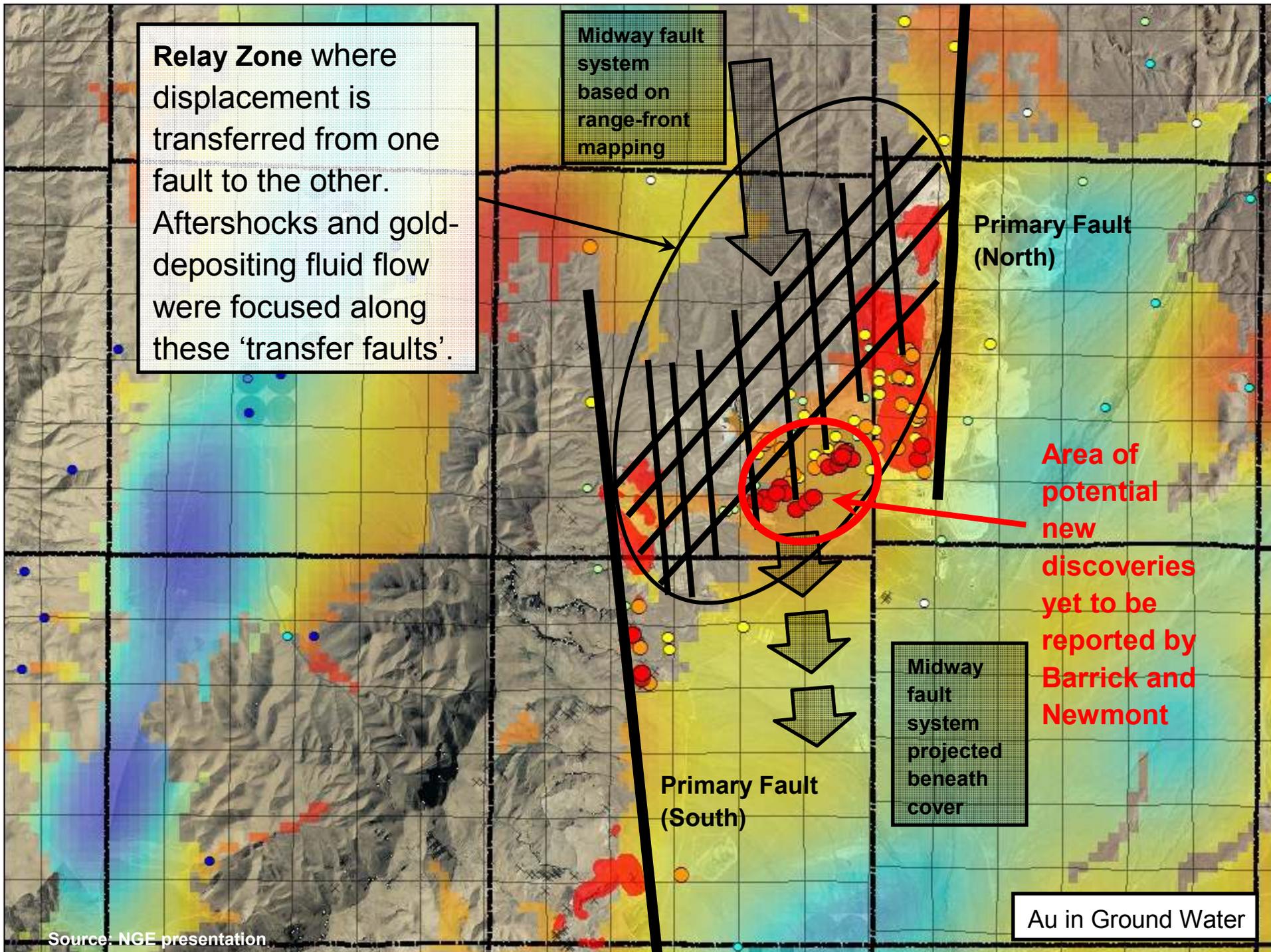
Contamination  
from Tailings

Additional drill targets are suggested  
by other areas reporting high Au in  
ground water that were not associated  
with known mineralization at the time.

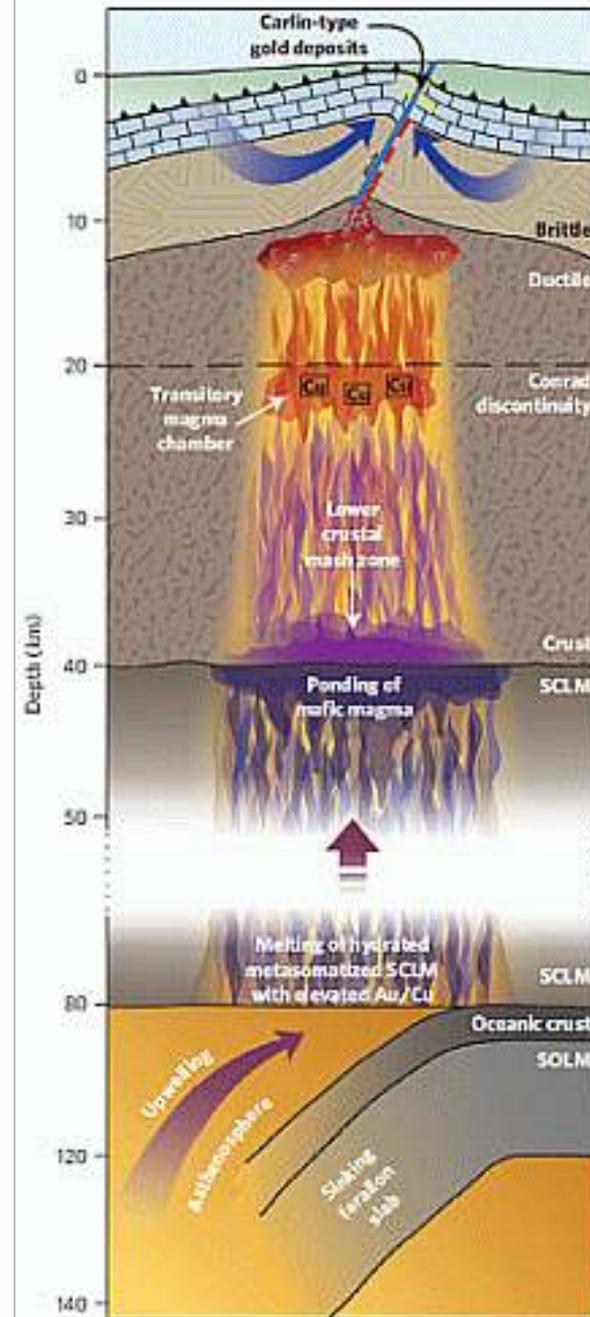
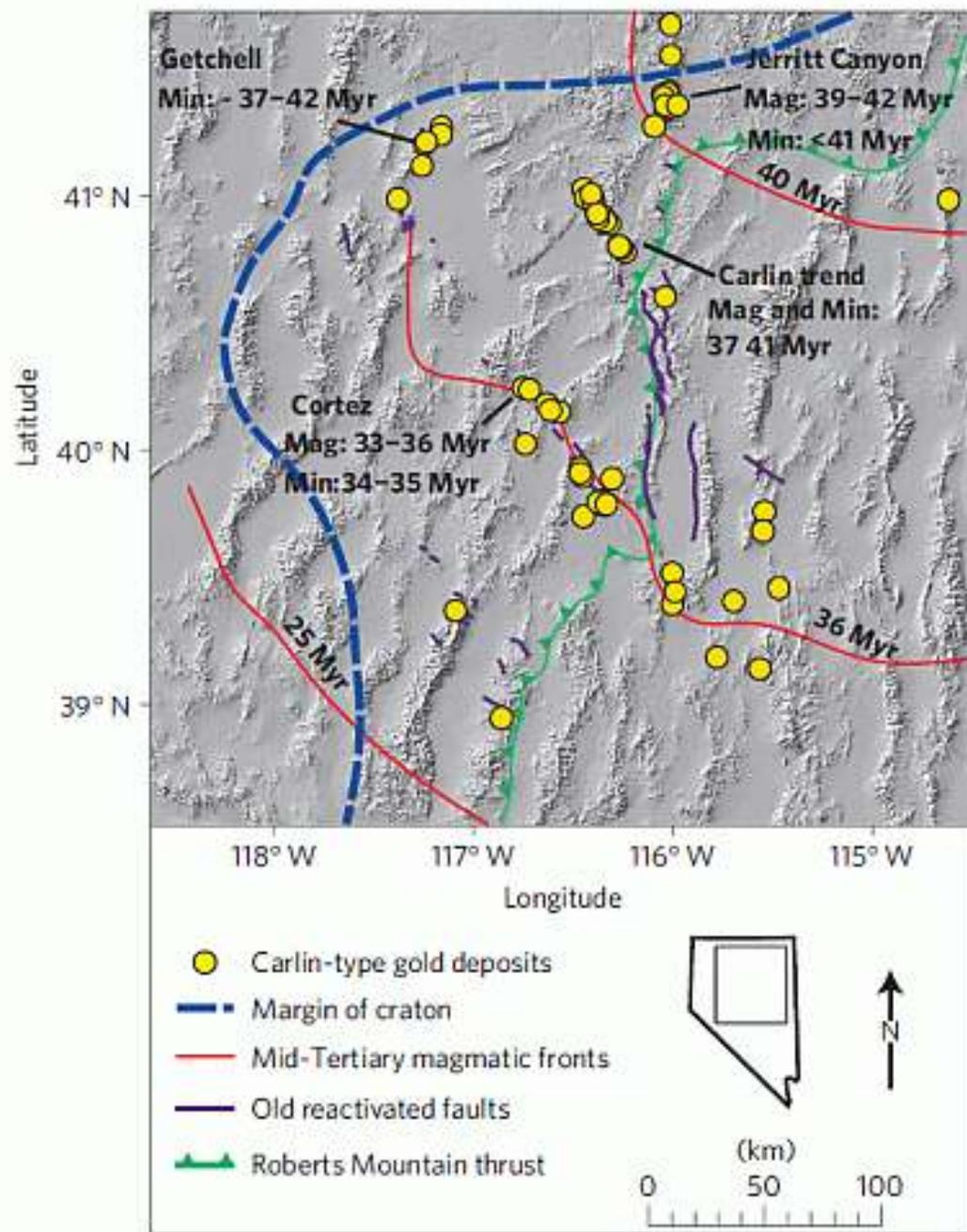
Au ranges from 1 – 140ppt  
where associated with known  
mineralization

Au in Ground Water





Source: NGE presentation



Source: John Muntean et al

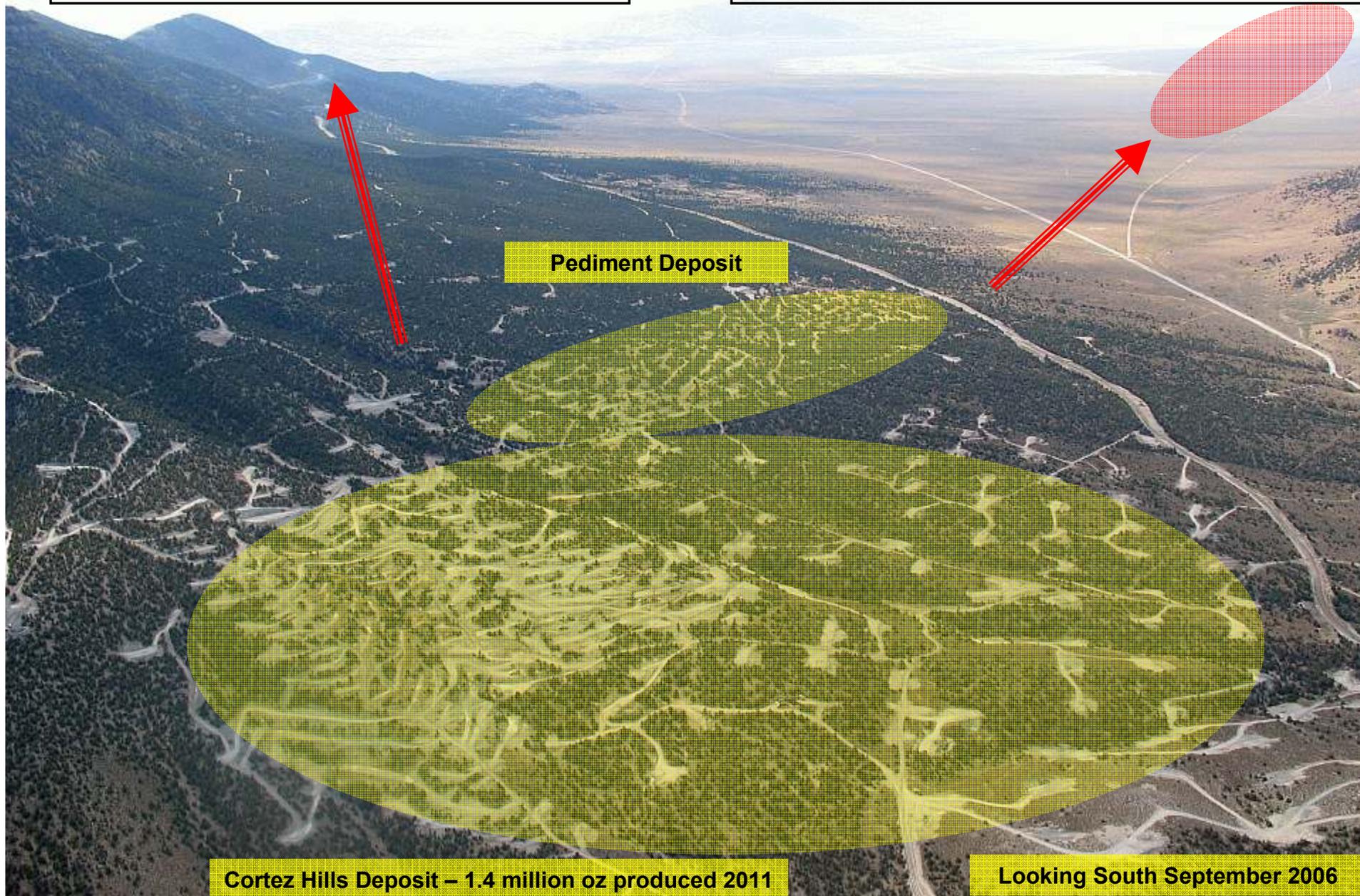
Southeast Cortez "Trend" along which Barrick has found Red Hill & Goldrush, but beyond which McEwen et al have spent more than \$60 million with disappointing results.

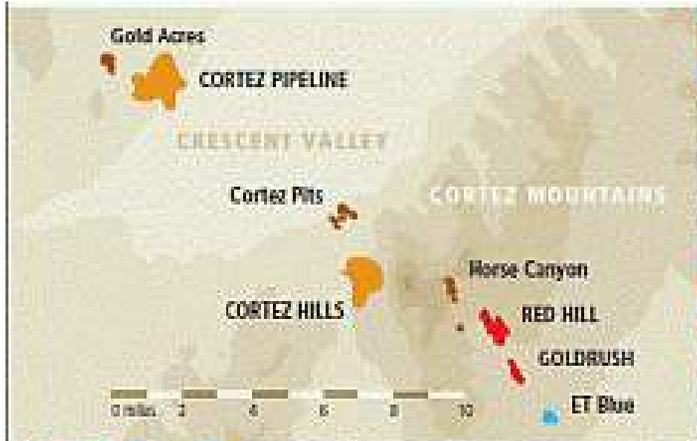
Southwest Grass Valley "Trend" along which "ignorant juniors" have staked claims and spent little. In 2012 staked 70:30 by McEwen/NGE based on 15 km gold-in-groundwater anomaly. A game changer for Nevada?

Pediment Deposit

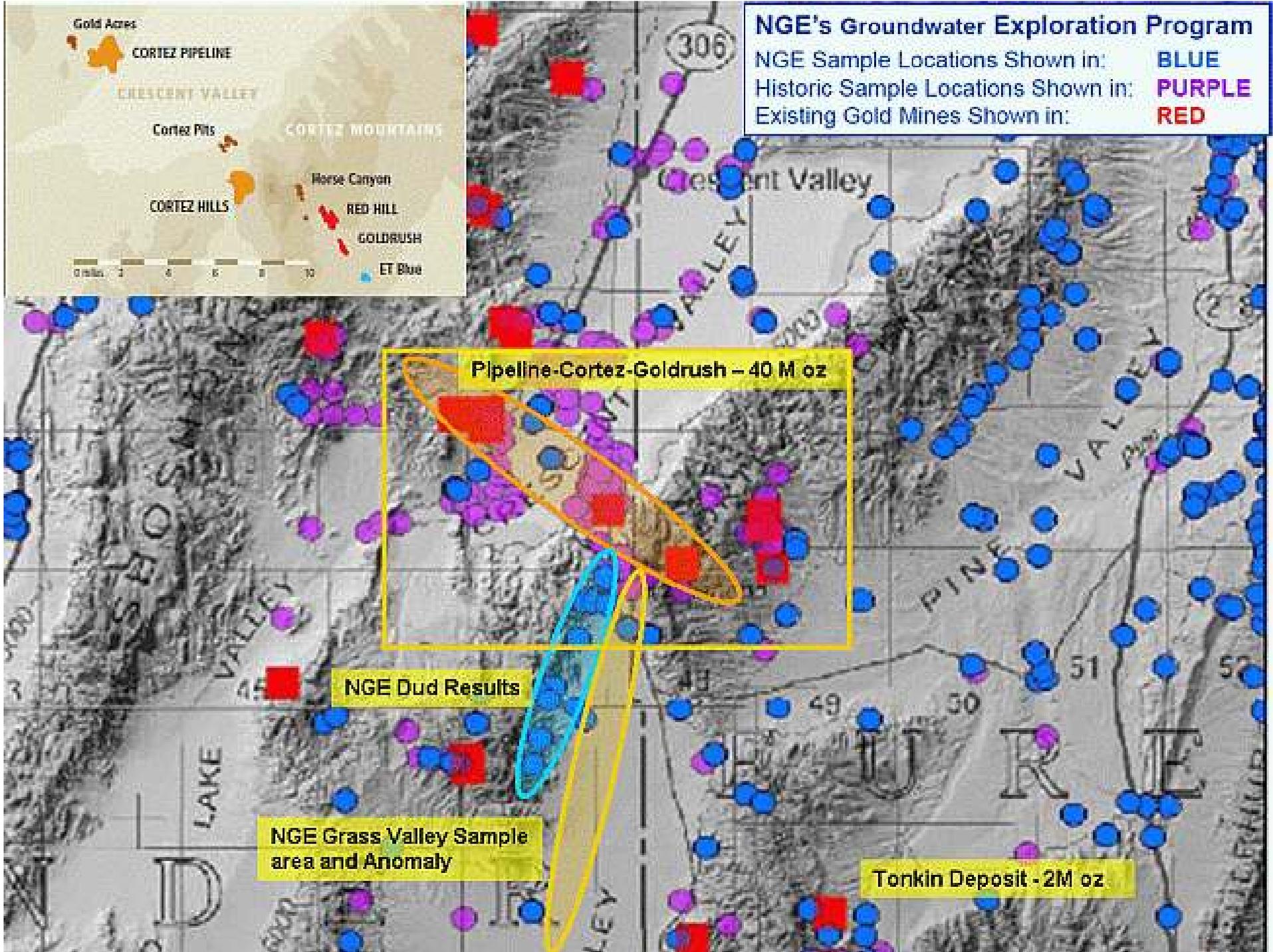
Cortez Hills Deposit – 1.4 million oz produced 2011

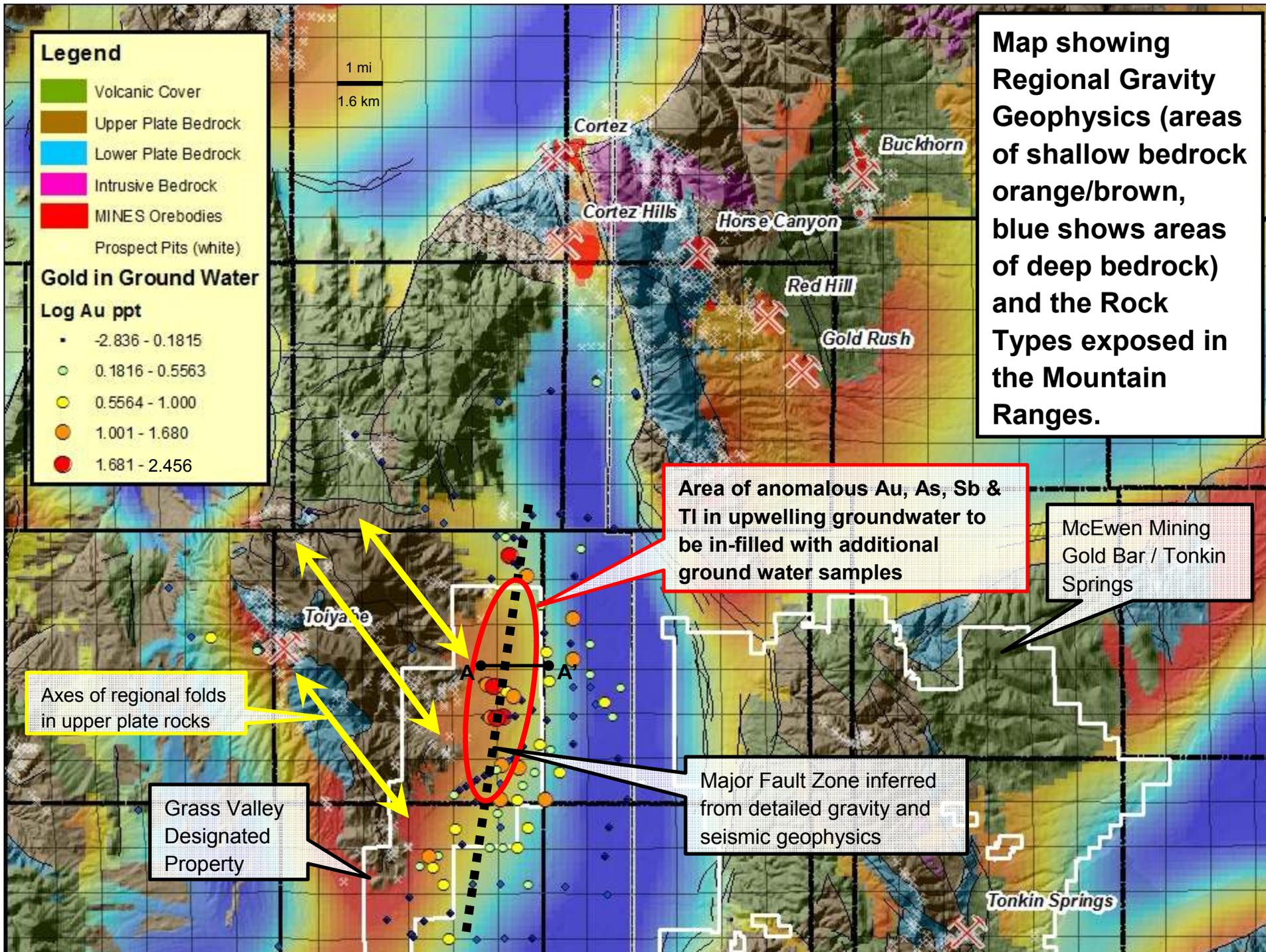
Looking South September 2006

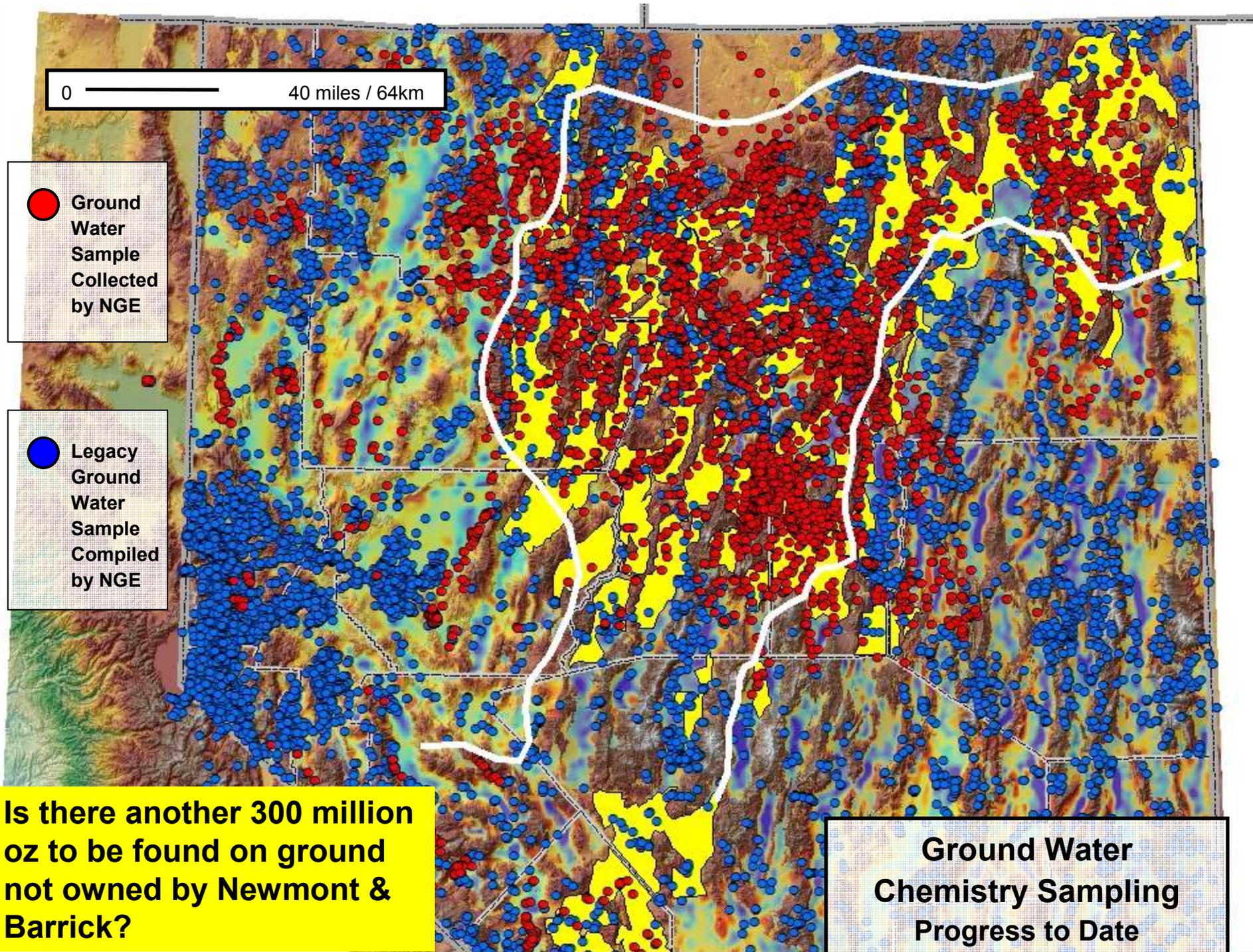




**NGE's Groundwater Exploration Program**  
 NGE Sample Locations Shown in: **BLUE**  
 Historic Sample Locations Shown in: **PURPLE**  
 Existing Gold Mines Shown in: **RED**





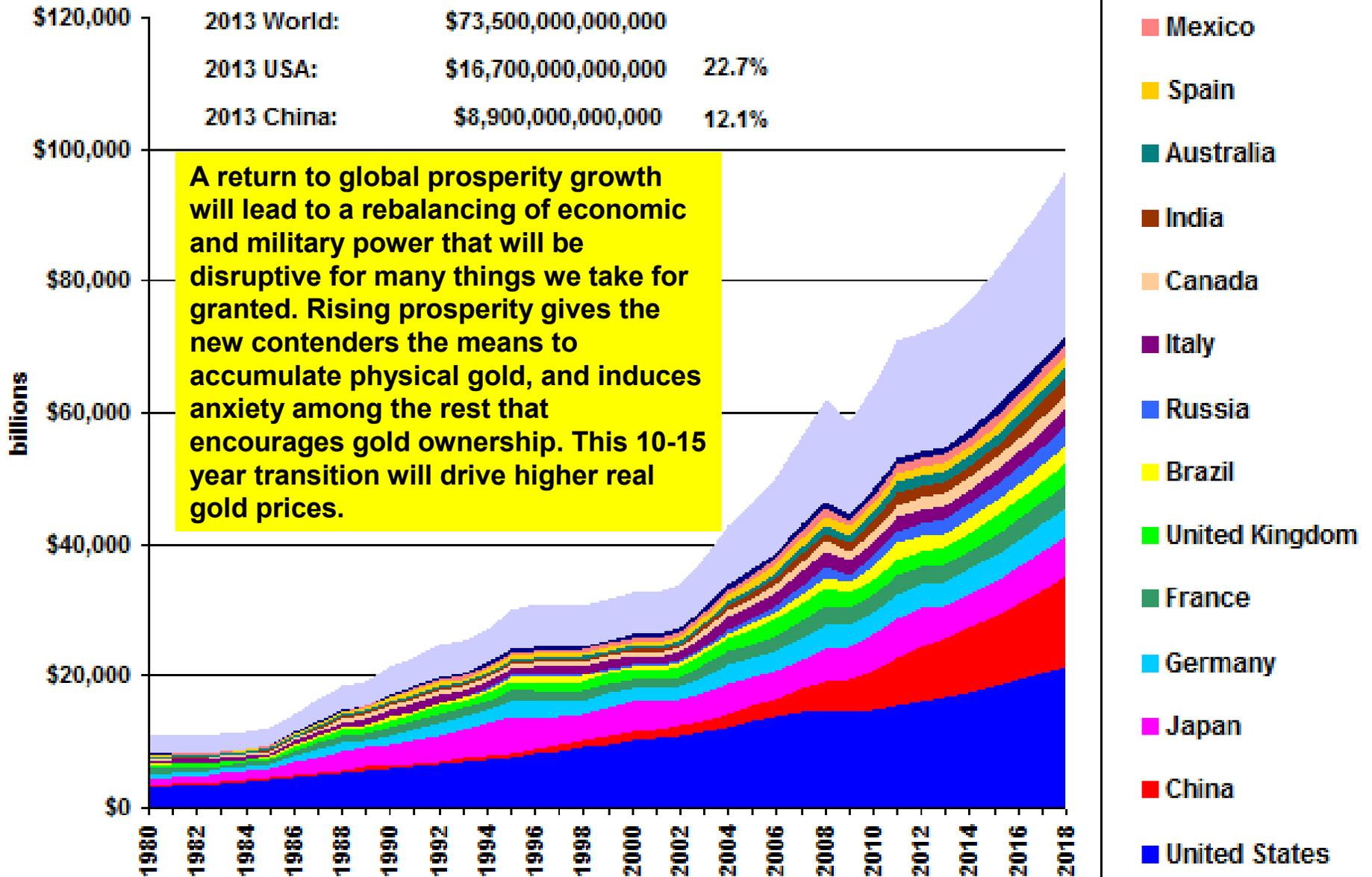


# Global GDP Current Dollars

IMF forecasts 2013-2018 (October 2013 WEO)

2013 World:	\$73,500,000,000,000	
2013 USA:	\$16,700,000,000,000	22.7%
2013 China:	\$8,900,000,000,000	12.1%

A return to global prosperity growth will lead to a rebalancing of economic and military power that will be disruptive for many things we take for granted. Rising prosperity gives the new contenders the means to accumulate physical gold, and induces anxiety among the rest that encourages gold ownership. This 10-15 year transition will drive higher real gold prices.



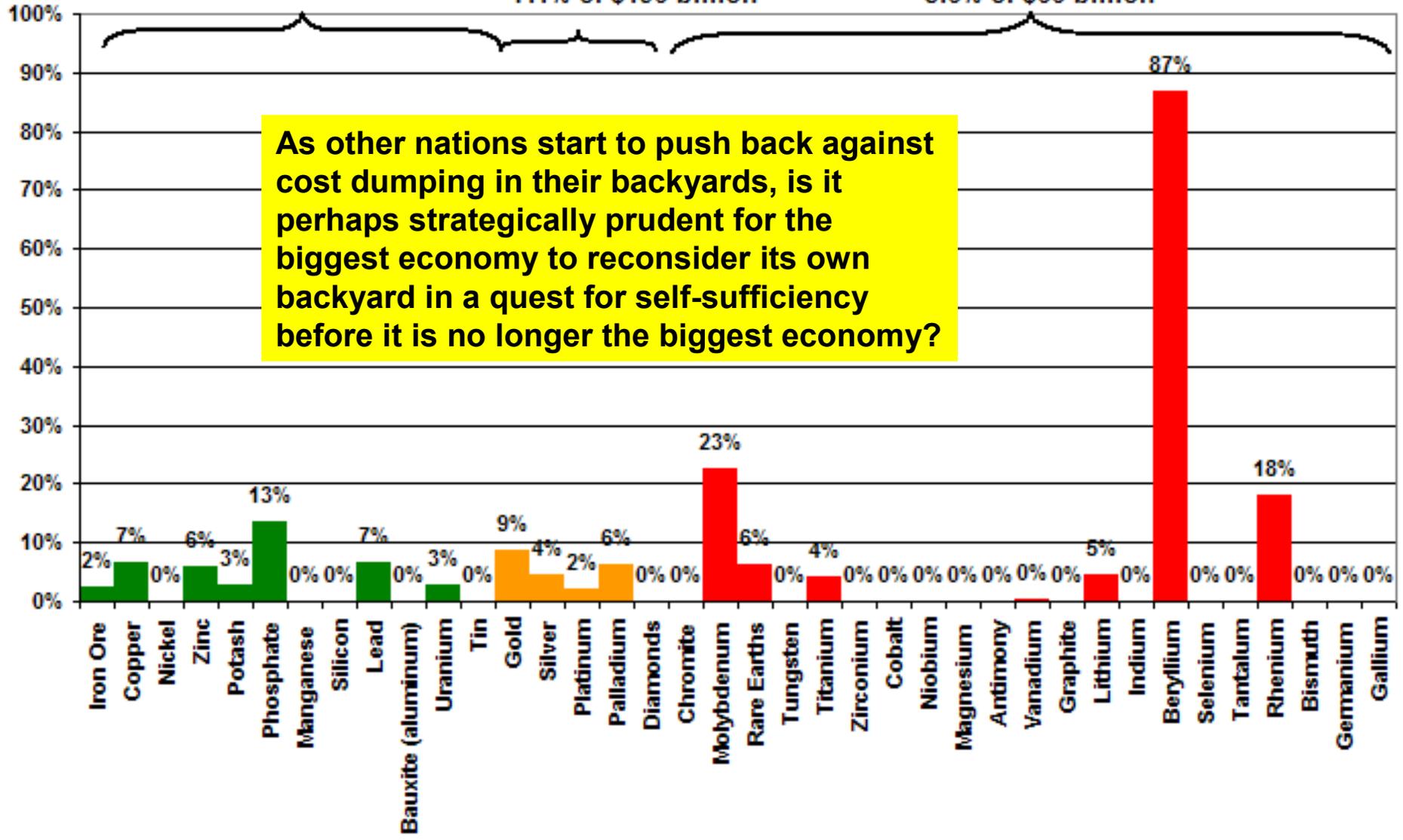
- Others
- Korea
- Mexico
- Spain
- Australia
- India
- Canada
- Italy
- Russia
- Brazil
- United Kingdom
- France
- Germany
- Japan
- China
- United States

**2012 US Share of Global Production**  
 (Based on average annual price & USGS production estimates)  
**\$39 billion out of \$746 billion global total value**

Base metals  
4.0% of \$484 billion

Precious metals  
7.1% of \$196 billion

Minor metals  
3.6% of \$66 billion



**As other nations start to push back against cost dumping in their backyards, is it perhaps strategically prudent for the biggest economy to reconsider its own backyard in a quest for self-sufficiency before it is no longer the biggest economy?**

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- \$250 per calendar quarter auto renewal
- \$800 per year no auto renewal

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