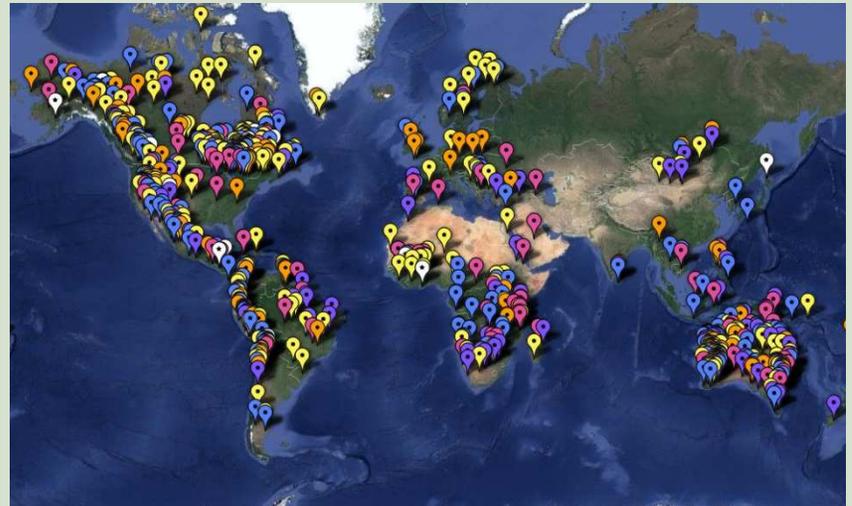


PDAC 2019

**Seven years of famine, what follows,
feast or extinction?**

Presented by John Kaiser

**March 3, 2019
Toronto, Canada**



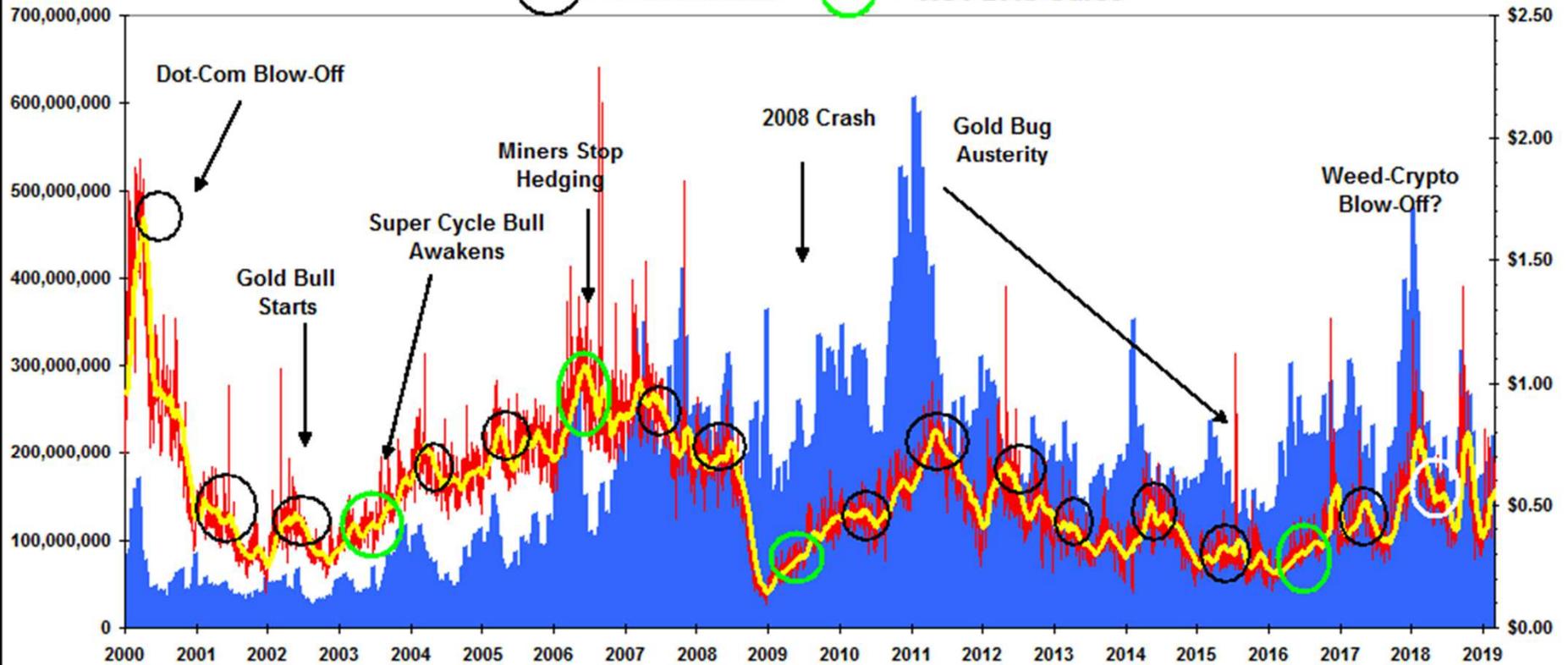
March 1, 2019

Daily TSXV Volume and Average Trading Share Price



■ Volume — Average Share Price — 30 Day Average Price

○ = PDAC Curse ○ = No PDAC Curse



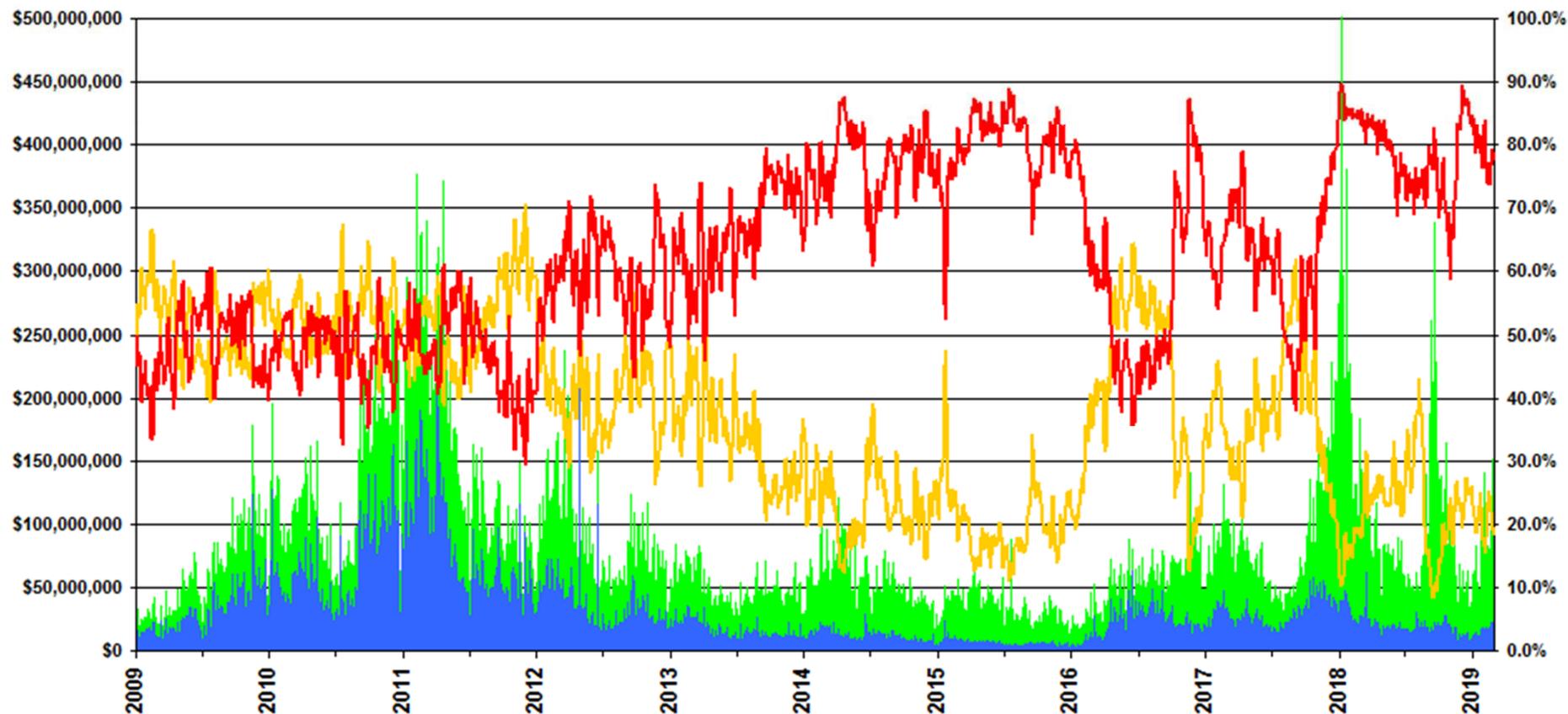
PDAC Curse: the tendency of the new year rally to fizzle right after the PDAC mining convention held annually in March in Toronto.



Daily TSXV Resource Sector Value Traded

March 1, 2019

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



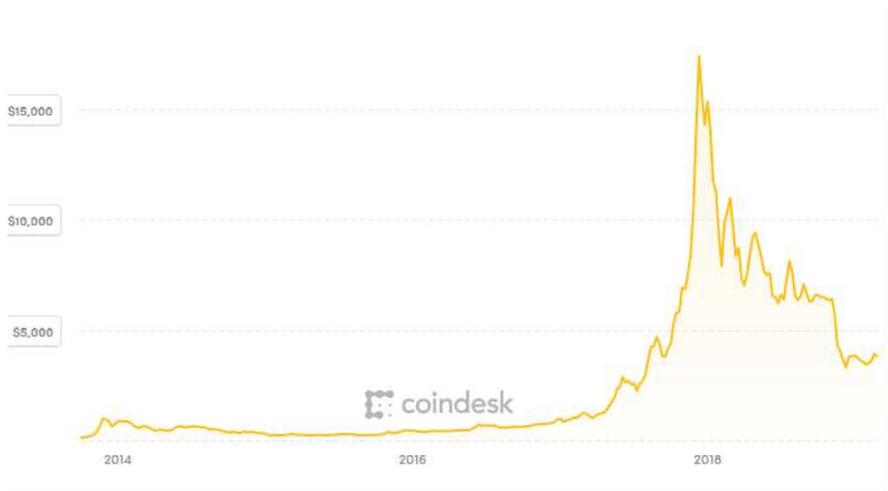
MOST ACTIVE BY VALUE

Name	Symbol	Value (\$)
OrganiGram Holdings Inc	OGI	\$212,622,910
Namaste Technologies Inc.	N	137,905,739
Aleafia Health Inc.	ALEF	65,851,802
Pharmacielo Ltd.	PCLO	59,971,098
Canopy Rivers Inc.	RIV	56,706,672
Emerald Health Therapeutics, Inc.	EMH	56,114,978
Cobalt 27 Capital Corp.	KBLT	42,574,696
Khiron Life Sciences Corp.	KHRN	33,273,901
Patriot One Technologies Inc.	PAT	31,376,946
Auxly Cannabis Group Inc.	XLY	31,068,644



Bubble Dynamics

- Winner take all potential – dot com & cannabis
- A bubble expands despite a wall of skepticism
- Market momentum attracts new capital while “sold too soon” profits are recycled into me too contenders
- The skeptics who went short get crucified
- As the leaders approach valuations equating to the future value of the entire market me too contenders flood the market
- The peak is when skeptics capitulate and join the rush
- At the peak the collective value of all the contenders can be 100 times the value of the future market
- As inflowing new money declines the leaders merge with each other
- The also-rans and latecomers fade as the market concentrates on the finalists
- The winners get valued on cash flow metrics



Crypto-Blockchain

- No winner take all potential because crypto-currency aspires to be money, an information system that keeps track of debits and credits over space and time among different “owners” engaged in exchange of goods and services.
- A currency is supposed to be stable so that it can facilitate price discovery. Bitcoin and its infinite potential clones are at this stage parasitic on the dominant form of money – the US dollar – a greater fool spiral for gamblers
- The bubble formed because of rapid inflow of real money attracted by the momentum – because it is not an asset class there is no valuation limit, just a limit of crypto owners trying to cash out. The novelty is over.
- Blockchain is a new transformational technology with many niche applications – no winner takes all

Bubble Dynamics for the Resource Sector: 2 generic types



- **Optionality – Feasibility Demonstration:** higher trending real metal prices driven by macroeconomic trends or security of supply factors which drag the failures of past exploration cycles into the money
- No limit to the number of participants - each one that finishes is a winner as long as the metal price gains do not disappear
- **Discovery Exploration:** a new discovery that works at prevailing metal prices enjoys an S-Curve bubble
- If it is a world class discovery with replication implications the glass switches half full for similar exploration plays

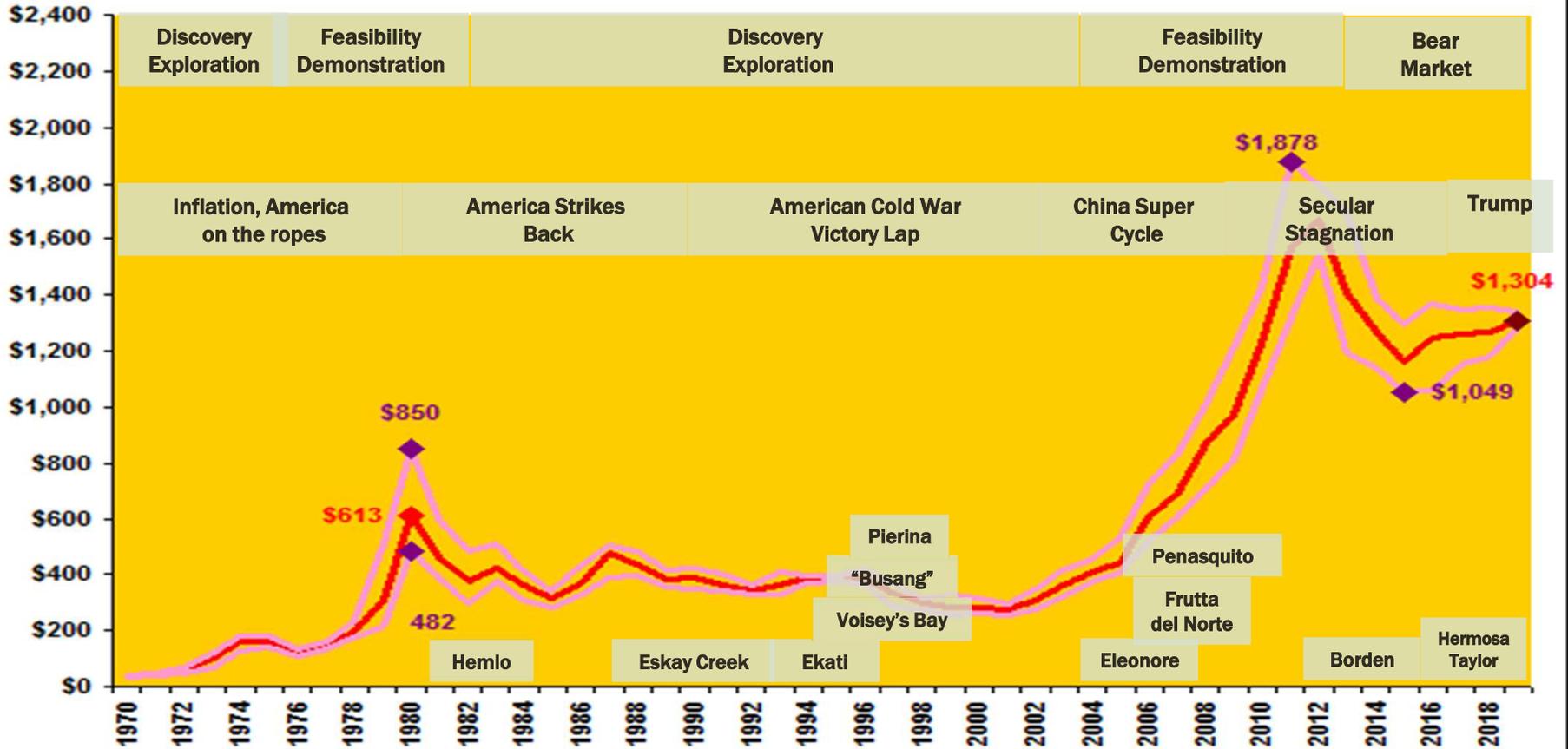


No winner take all dynamic except for metals with small but growing demand such as was with niobium and could happen with scandium

Annual Average Gold Price with High-Low Range

— Average Gold Price

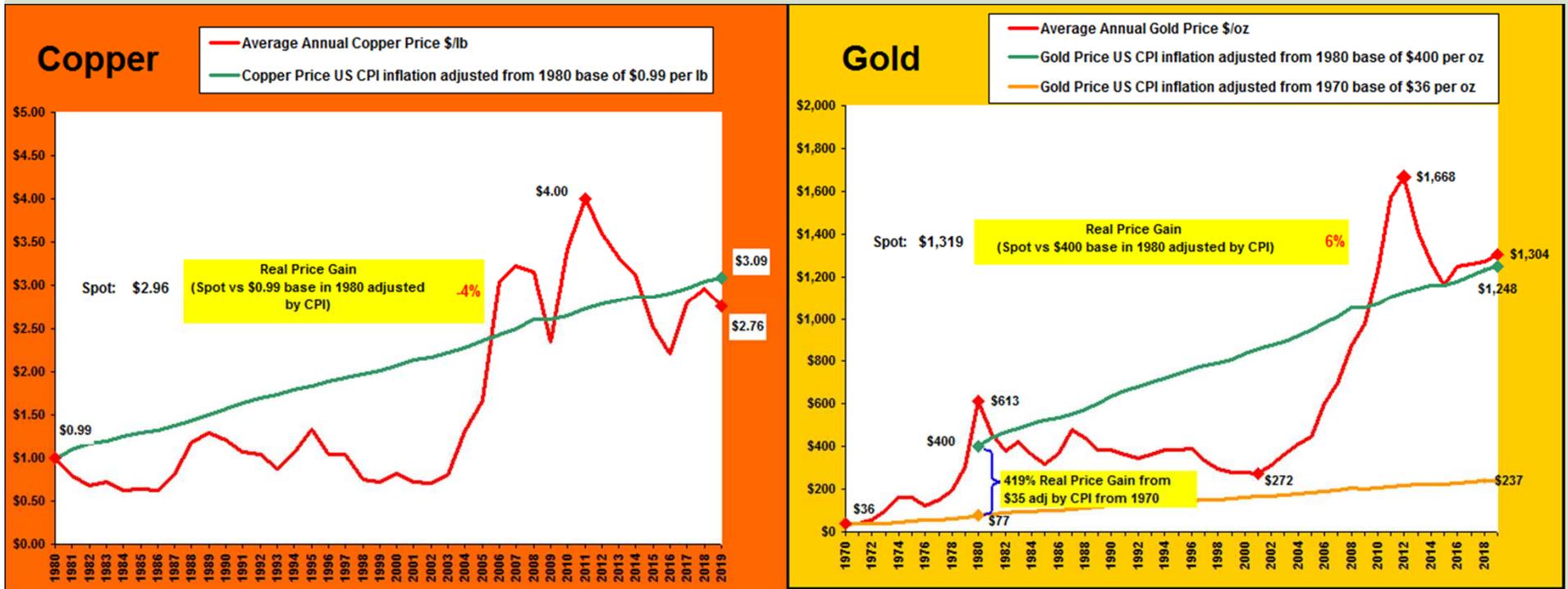
— Yearly Hi-Lo Range



March 2019

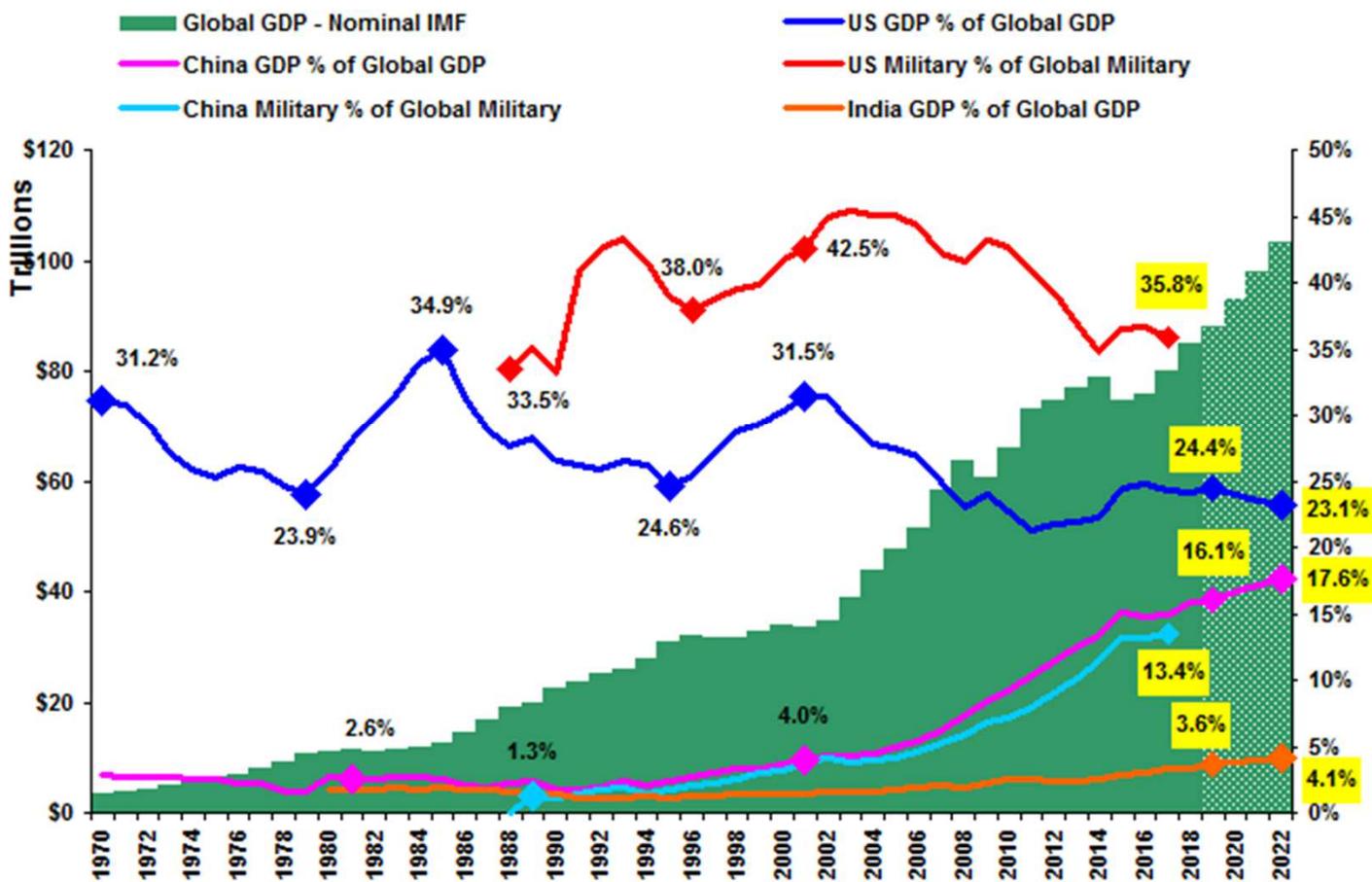
Kaiser Research Online

Current Prices for Copper and Gold cannot spawn a feasibility demonstration bubble – what is needed to change that?



US & China Relative Percentage of Global GDP & Military Spending

(2018-2022 GDP estimates by IMF)



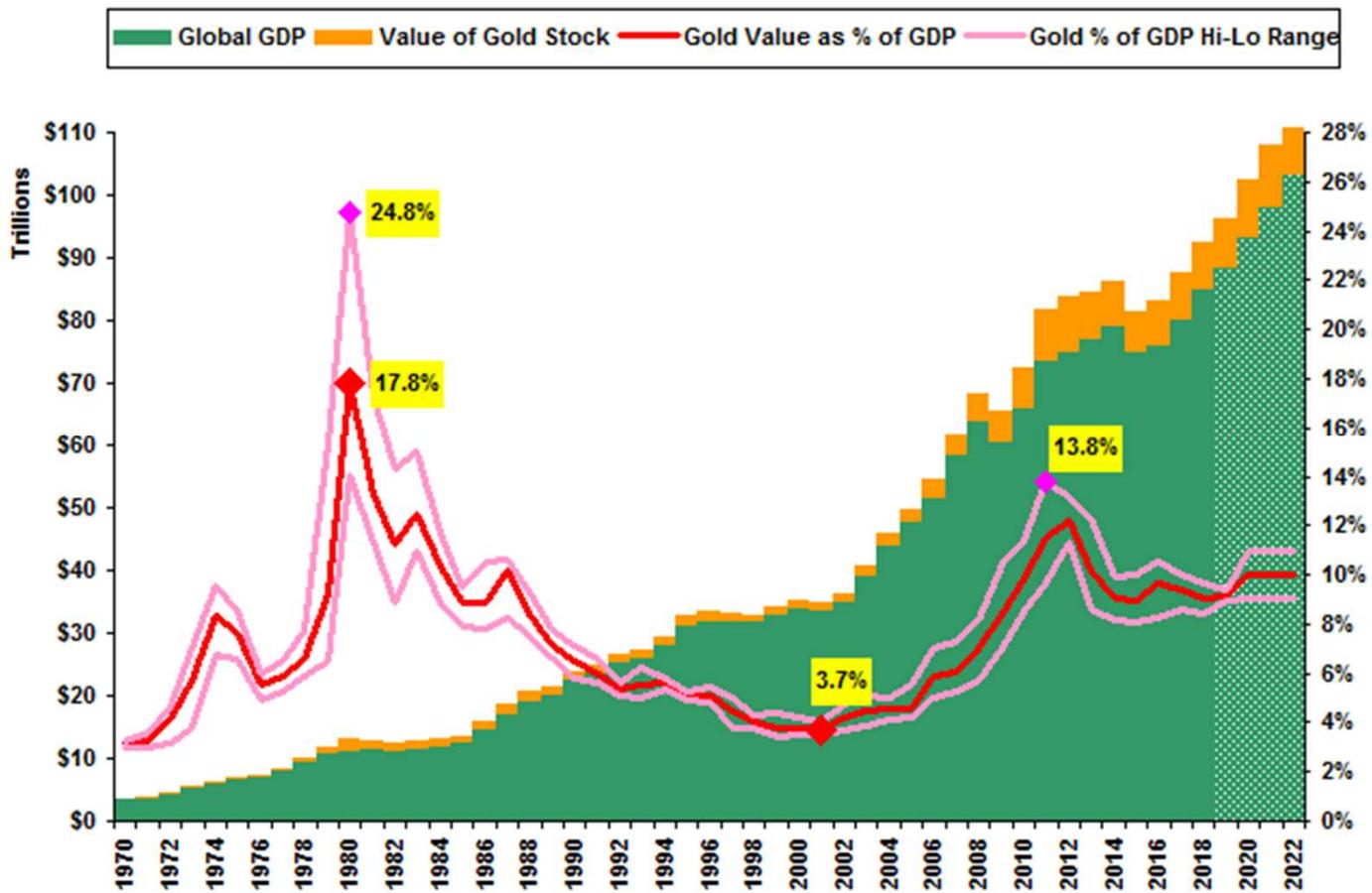
Source: IMF, SIPRI, World Bank

March 2019

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- China super-cycle is over, natural slow-down in growth
- Strong mining supply response has restored normal business cycle
- Protectionism may prove IMF global GDP growth projections optimistic
- India at best can hit a super-cycle tipping point in 2025
- Miners are still undoing their super-cycle mistakes
- Great power struggle returns

Relationship between Global GDP and Value of Existing Gold Stock
 (2019 onwards GDP & Mine Supply estimated)



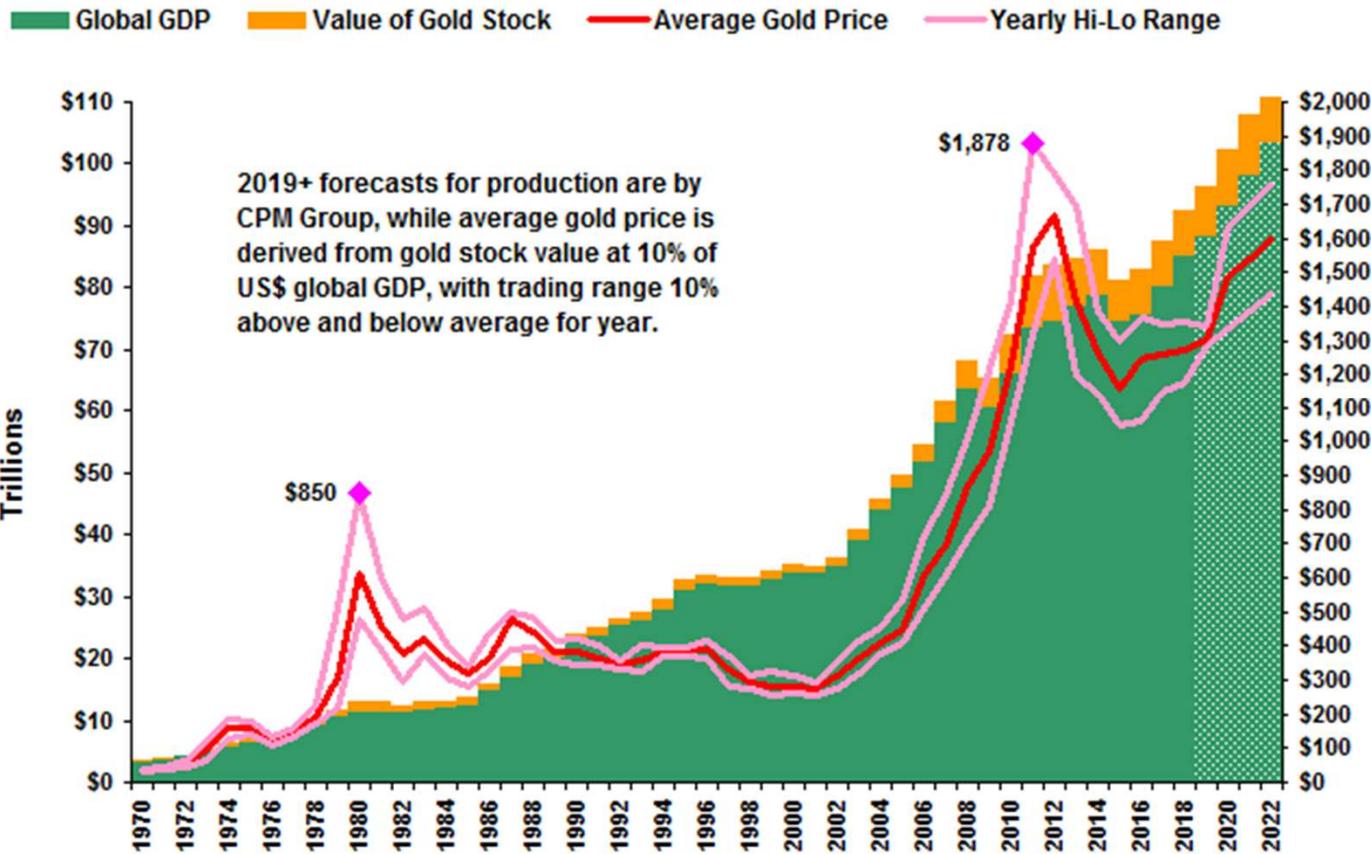
Source: USGS, IMF, World Bank

March 2019

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If we treat the value of the gold stock relative to global GDP as an uncertainty indicator, what is it telling us?

Relationship between Global GDP and Value of Existing Gold Stock
 (2019 onwards GDP & Mine Supply estimated)



Source: USGS, IMF, World Bank

March 2019

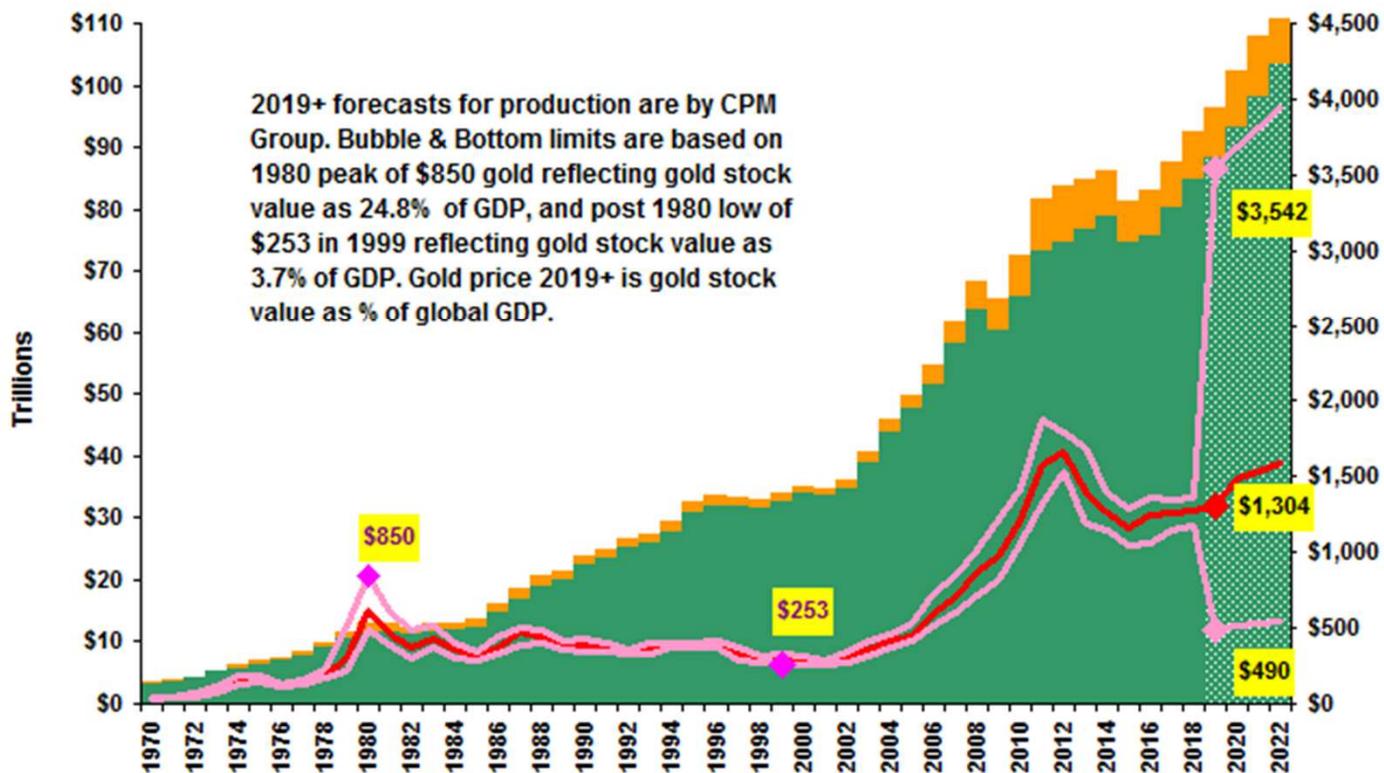
Kaiser Research Online

And assume 10% as the new normal in a stable global economy as forecast by the IMF, here is the real price we might expect for gold over the next 4 years.

Past Peak & Bottom Based Bubble & Bear Limits for Gold

(2019 onwards GDP & Mine Supply estimated)

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



Source: CPM, IMF, World Bank

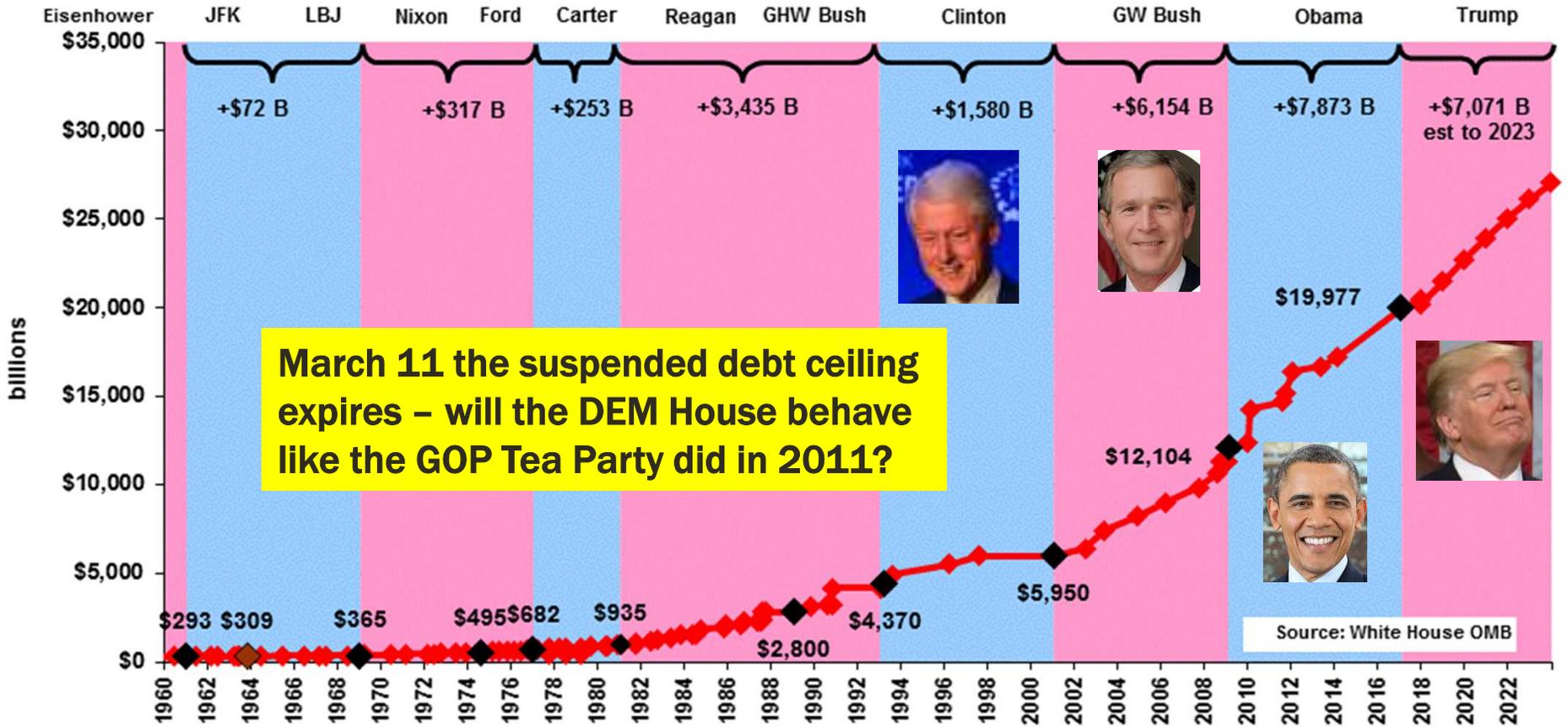
March 2019

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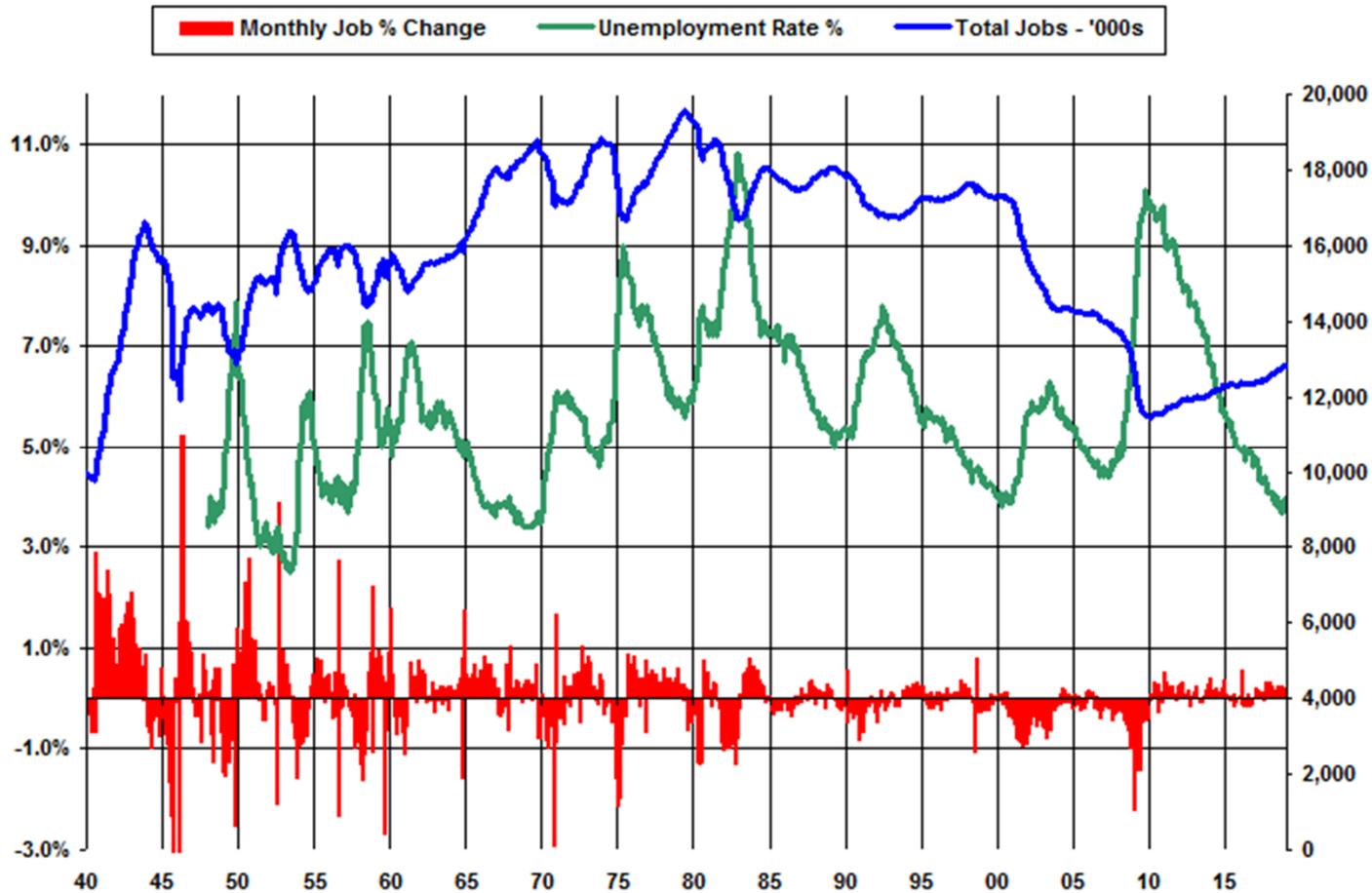
But if we apply the 25% peak achieved in 1980 and the 4% low in 1999, here are the real price equivalents today. The bear version will not happen but what about the bull scenario?

US Debt Ceiling Increases (2018-2023 WhiteHouse OMB estimates)

Republican President Democrat President Debt Ceiling



US Manufacturing Jobs



Source: Bureau of Labor Statistics

Kaiser Research Online

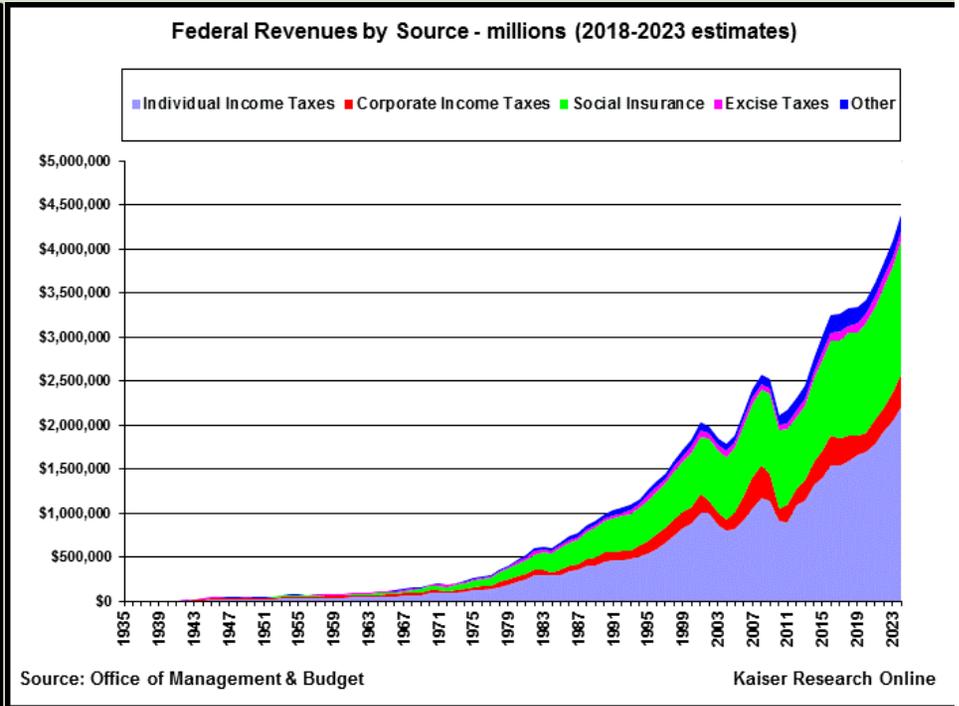
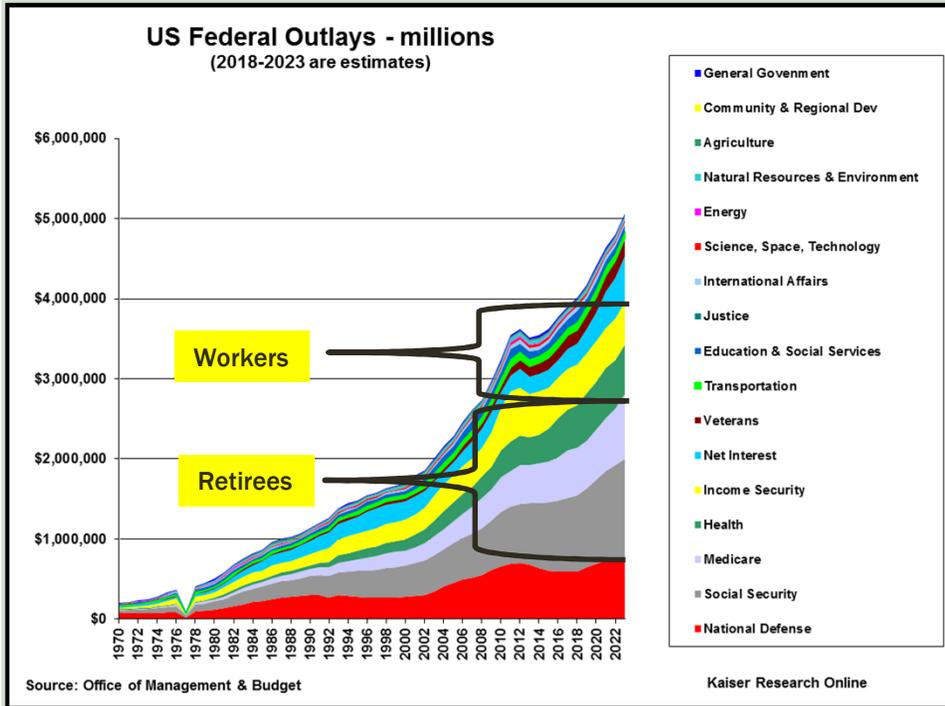
January 2019



The hollowing out of America reversed under Obama. As the risk of global conflict under Trump rises, the reshoring of manufacturing will accelerate but with low job growth thanks to automation. Who is Andrew Yang?

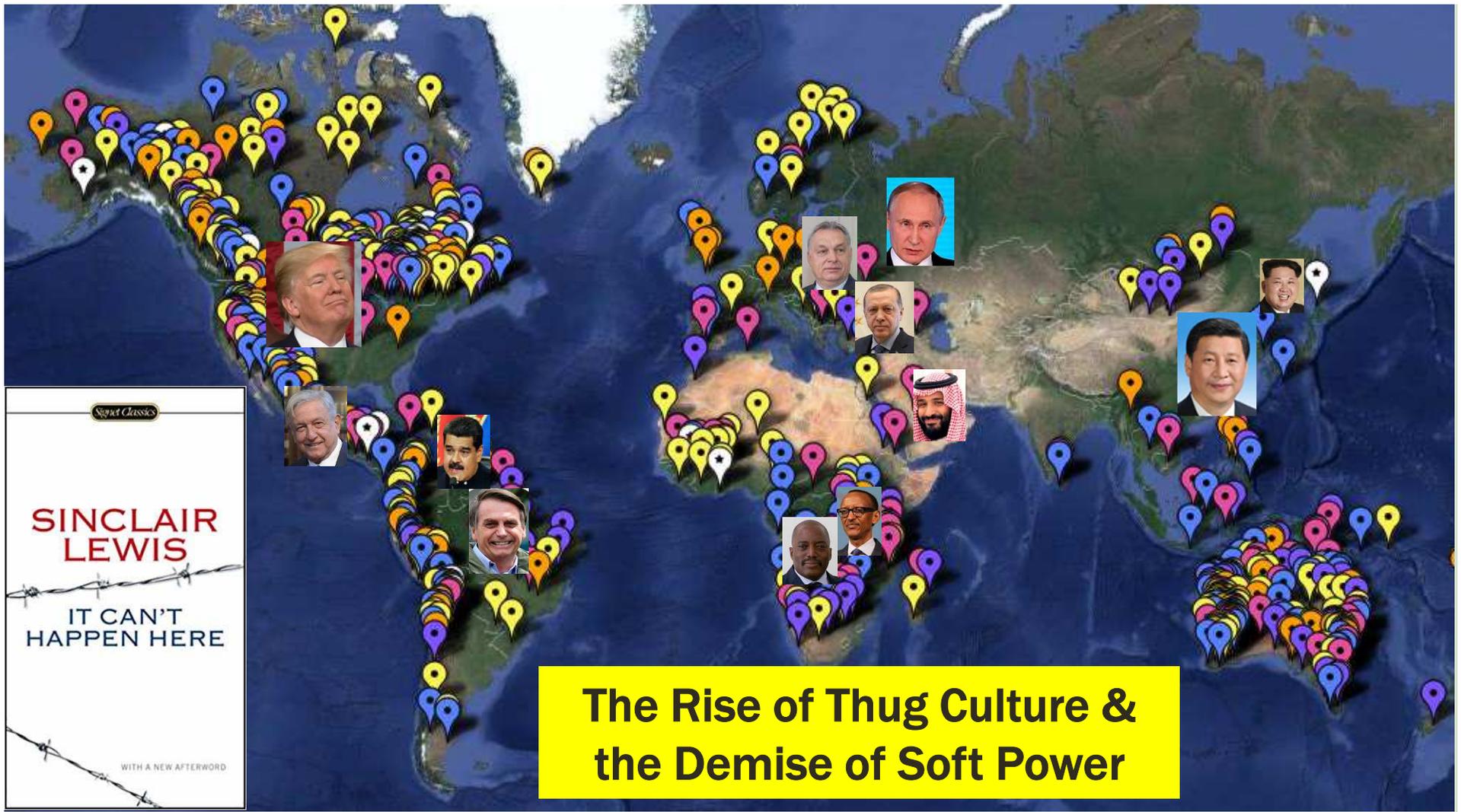


A looming inter-generational conflict

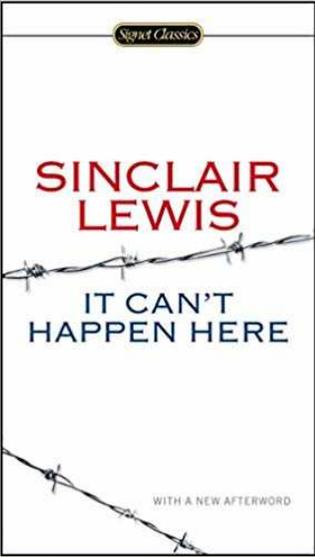


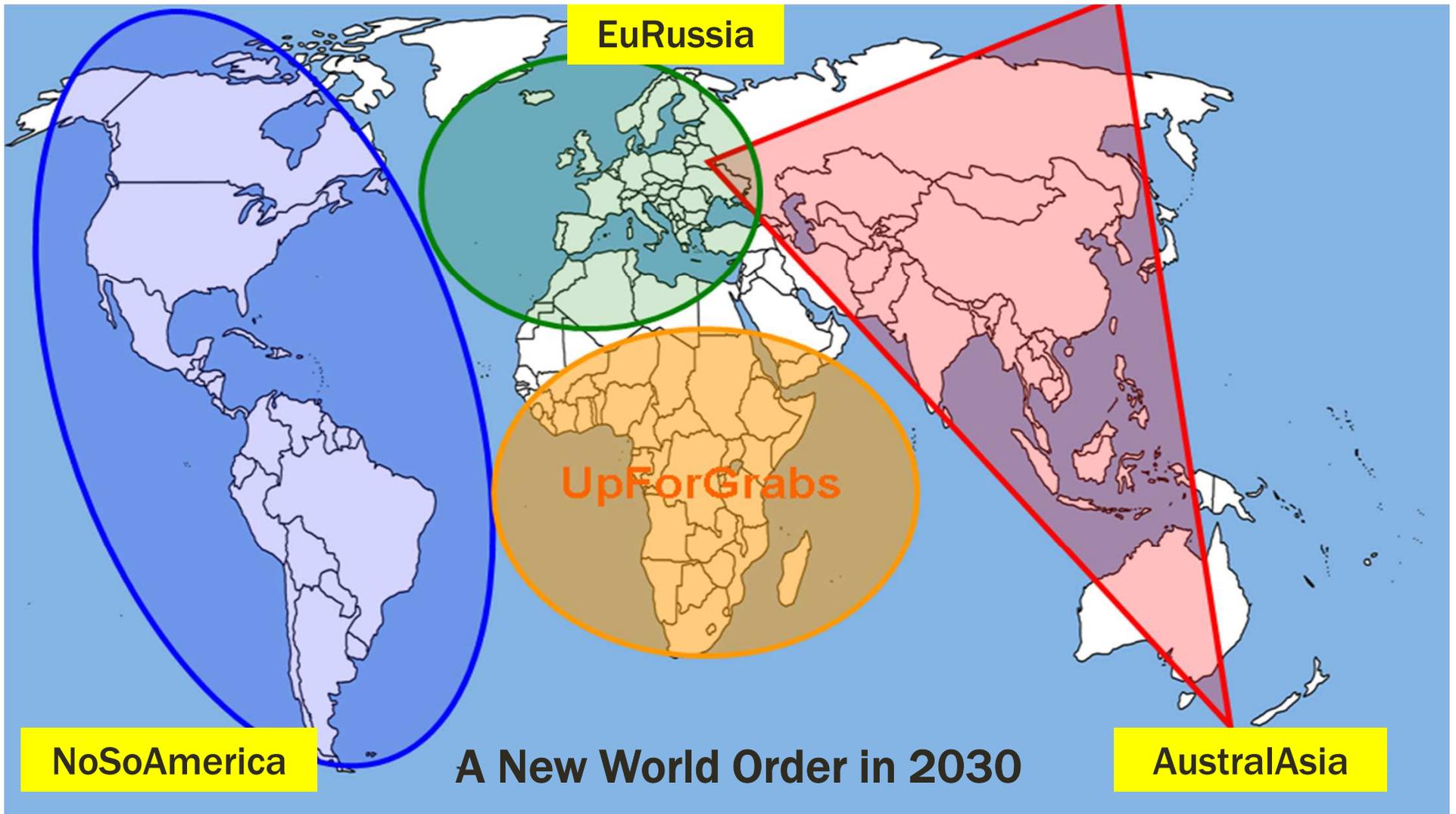
Note the rising outlays for retirees (Medicare & Social Security) as the boomer generation retires between 2010 and 2030 compared to health & income security outlays.

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

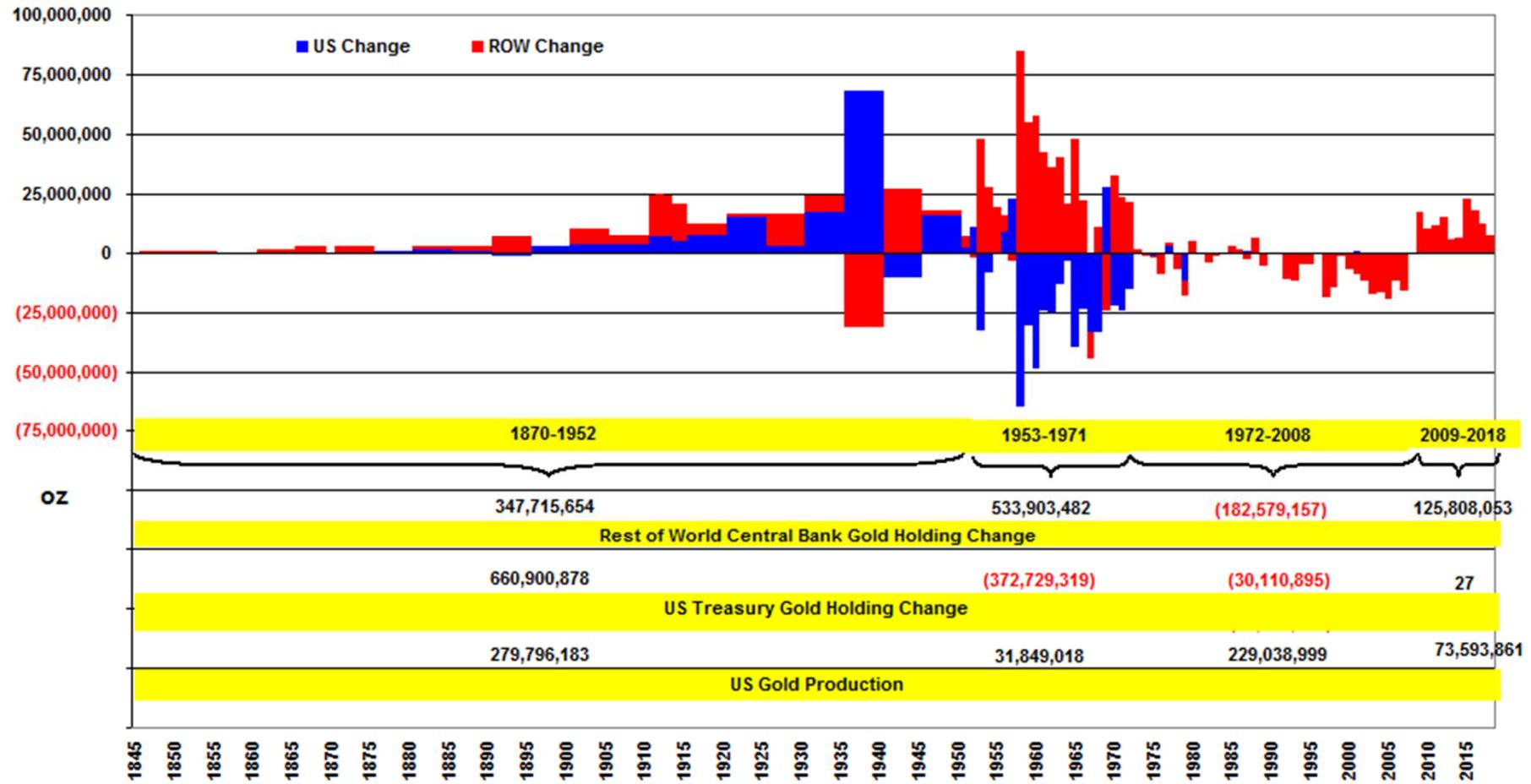


The Rise of Thug Culture & the Demise of Soft Power





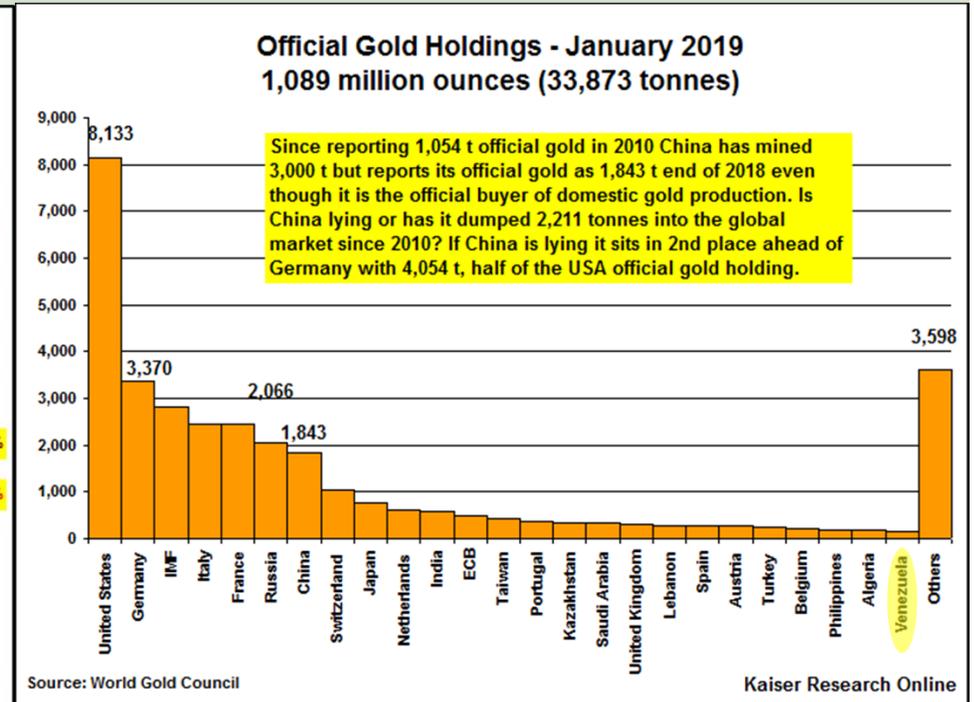
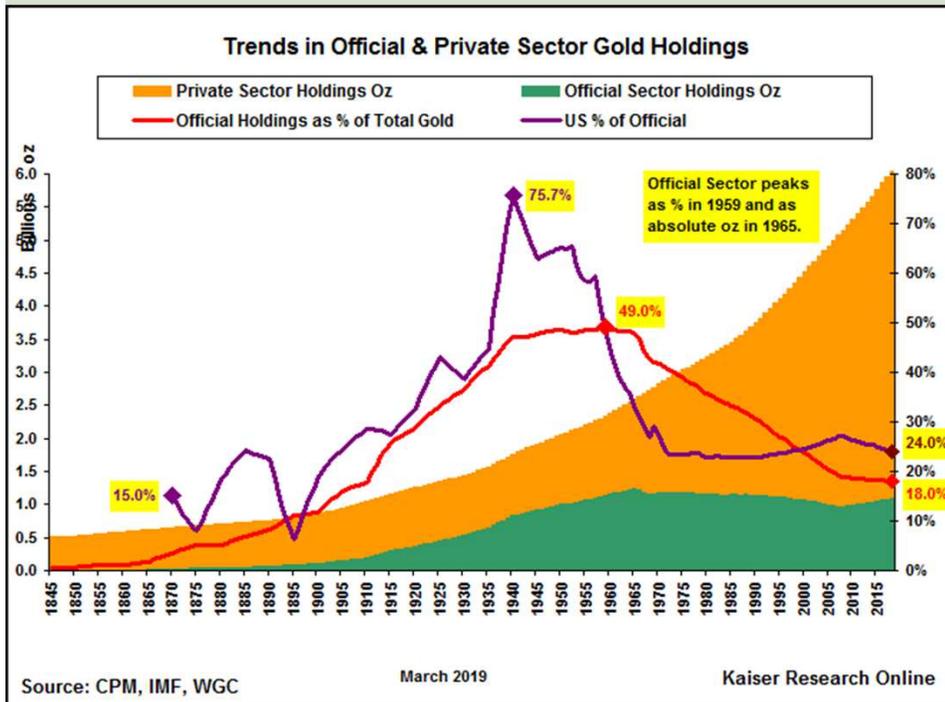
Annual Change in Official Sector Gold Holdings (oz) 1845-2018



Source: World Gold Council

Kaiser Research Online

The private sector has absorbed new gold production since 1959. But since 2009 the official sector has started to be a net buyer. China has been flat since 2011 even though it is the biggest gold producer and the state is the official gold buyer. Is China secretly hoarding gold? In recent years countries like Russia have stepped up gold buying. Reliance on the USD dollar forces subordination to American will.



Nothing I say makes any difference. Maybe I and the majority of voters who did not vote for him should buy gold.

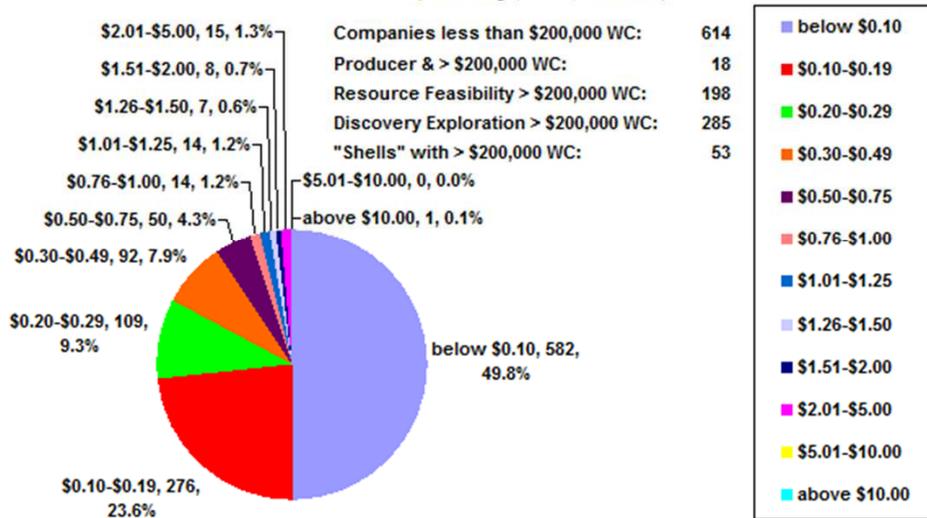
Everything I say He does. Is there a way I can buy gold without Him and the base knowing?



Half of the TSXV resource listings do not have enough money to keep the lights on, which may be a good thing. Funding for junior resource listings recovered from 2016 to mid 2018 but has since been weak. The junior resource sector is on an extinction path. The cannabis-crypto bubble is no longer an excuse. But what will bring audiences with risk capital back to the resource juniors?

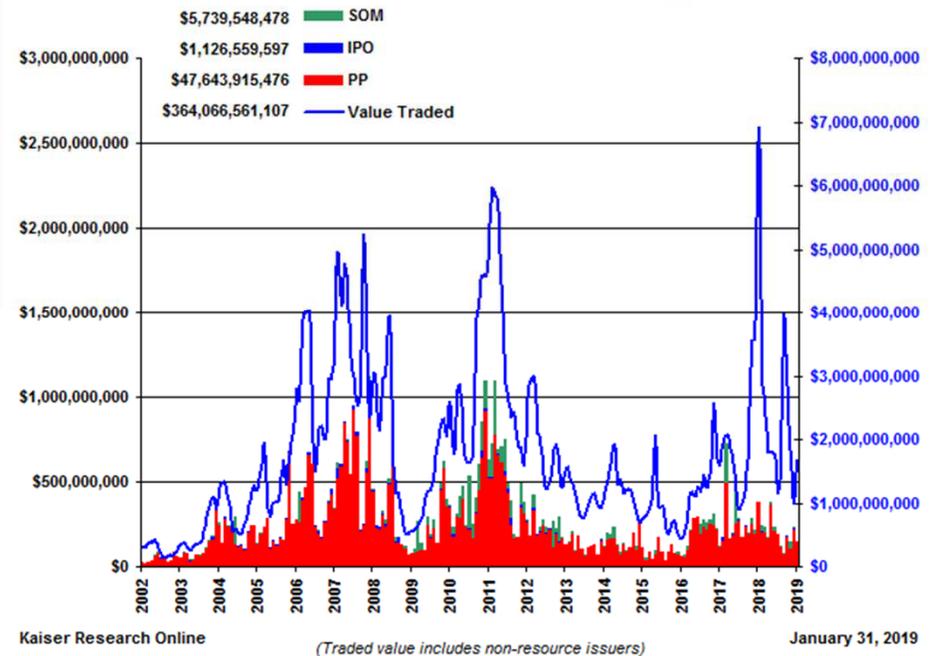
1,168 Price Range Breakdown

Active TSXV-listed KRO Companies
(Price Range, # Cos, % of Total) February 28, 2019



Kaiser Research Online

Monthly Value of Resource Sector TSXV Financings 2002-2019



Kaiser Research Online

(Traded value includes non-resource issuers)

January 31, 2019

The exodus from the resource junior bear market

- Institutional money will not come until a distinct multi-year uptrend is visible, which is unlikely to happen for metals other than gold in the current context of trade protectionism – bad news for optionality plays in the short term
- Gold may develop a gentle but sustained real price uptrend linked to uncertainty about where the world is headed even if and when Trump disappears.
- A 50% rise to \$2,000 over the next few years will not stir the animal spirits in the way a 600% rise to \$1,900 did, but in the absence of inflation or fiat currency debasement a 50% real price rise has profound implications for resource juniors by lowering the threshold for what counts as a discovery
- The potential for non-financial global crisis driven gold spikes is high
- Discovery exploration with its S-curve bubble dynamics when a discovery is made that appears to work at prevailing metal prices will attract discerning retail audiences
- Retail interest will broaden when gold breaches \$1,400 because it will underscore the perception that if new but marginal gold mineralization is intersected, it could eventually end up in the money, but, more importantly, if enough money is thrown at further exploration, it is only a matter of time before an ore grade zone is intersected that spawns an S-curve bubble
- Management needs to review optionality plays from a discovery exploration perspective that asks, is what we can see from past exploration really all there is about this deposit?

Spec Value Rating System

Applies to entire universe of resource juniors

Spec Value Rating Key - 2019 onwards

↕	Unrated Spec Value	↓	Zombie Spec Value	↓	No Spec Value	↓	Poor Spec Value
↑	Bottom-Fish Spec Value	↑	Fair Spec Value	↑	Good Spec Value	KRO Rating Guide	
↑	Bottom-Fish SV Favorite	↑	Fair SV Favorite	↑	Good SV Favorite	Click SV Rating for KRO Search	

- Unrated – producers or not yet rated
- Zombie – financially endangered, only for extreme bottom-fishers
- No Spec Value: lifestyle, no wealth creation potential, maybe pump & dump upside
- Poor Spec Value: real junior but over-valued, typically well promoted
- Bottom-Fish Spec Value – real junior, typically missing one or more key pieces
- Fair Spec Value – real junior, upside potential balanced with downside risk
- Good Spec Value – real junior, undervalued, short term upside to fair value pricing

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Web Site: KaiserResearch.com
Email: jkaiser@KaiserResearch.com
Twitter: @KaiserResearch
Skype: KaiserResearch
Tel: (925) 631-9747

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Expires March 31, 2019

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