The Bull & Bear's Resource Investor

4th Quarter 2019

GOLD
SILVER
URANIUM
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PALLADIUM
OIL & GAS
BASE METALS

GOLD: The Goldfather

By John R. Ing
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Francis Ford Coppola's 1972 iconic classic "The Godfather" focused on American politics, American crime and the American dream. The Don's classic line, "I'm gonna make him an offer he can't refuse", best described the family's power, money and influence. Today life is imitating art.

President Trump recently expressed an interest to buy Greenland, the size of Louisiana purchased in 1803 from France for a paltry fifteen million dollars. In true Trumpian fashion, the president floated his idea to purchase Greenland and rather than make an offer they can't refuse, he likely wanted the Danes to pay for it too. The Danes predictably, rejected his offer. After all, the Danes are among the happiest people in the world, enjoying long lives and ranking ninth in per capita income, just behind the United States. Yet, Mr. Trump might not be interested in just happiness.

Greenland is estimated to hold 38.5 million tons of rare earth oxides or a third of the world's total reserves of 120 million tons. Today, China is the biggest producer of rare earths, needed in high-tech applications for electric vehicles, wind turbines and of course, military technology. Could Mr. Trump simply be looking for other ways than happiness to isolate China? And with US angst over China continuing to manifest itself from trade to Silicon Valley to Wall Street, maybe, Mr. Trump, "the Goldfather" should remember that other great line uttered by Don Vito Corleone, "a friend should

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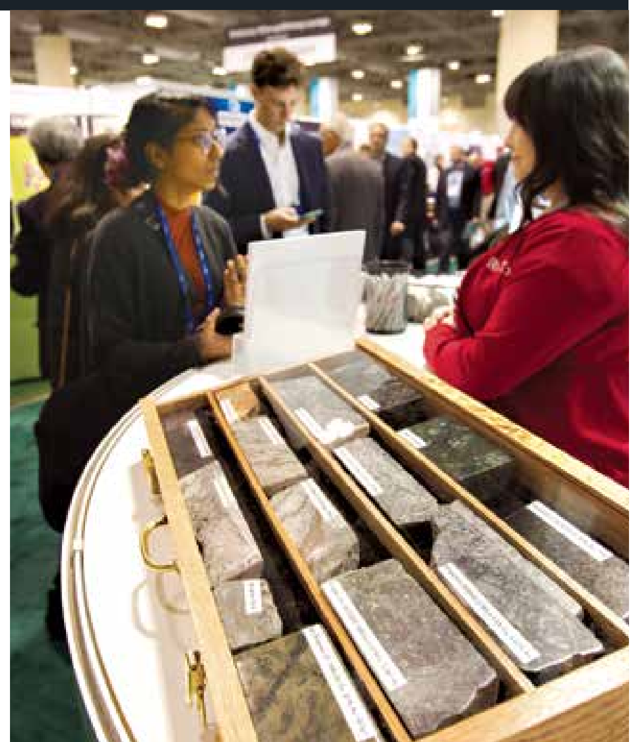

GOLD: The Goldfather

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always underestimate your virtues and an enemy your faults".

The Thucydides Trap

Trade has long anchored the relationship between China and the United States but Mr. Trump is trying to unwind the two intimately entwined economies in his US/China conflict. Tariffs now cover two thirds of the trade between the two countries. The US-China tariff tit-for-tat has cast a pall over the global economy and financial markets. Conflicting signals from the US president also worried investors. So far, America has lost foreign markets, participated in a tit-for-tat retaliation with virtually all of its trading partners, boosting consumer prices. Also, the painstaking pace of the US/China negotiations have kept investors on the sidelines as global trade volumes collapse. Trade wars are pushing the world economy to the brink. How is that winning?

The unresolved trade wars harken back to the days when President Hoover openly embraced trade protectionism to get the economy going but his Smoot-Hawley tariffs exacerbated the worst depression ever. Subsequently for over half a century, tariffs around the world have come down, boosting the world economy and helping China emerge as a superpower. But now, Trump's tariffs have reversed this downward trend, increasing tariffs by some 20 percent which predictably dampened growth as Trump embraces the protectionism that doomed Herbert Hoover nearly a century ago.

Significantly, we believe the trade conflict is part of a bigger US strategy over trade, the internet and values to contain China's growth. However, that risks the United States falling into the "Thucydides Trap", when a rising power threatens to displace an established power; 12 of 16 instances ended in war. Of concern is that the threat of blacklisting Chinese investments is akin to shooting themselves in the foot since the biggest casualties will be America's multinational companies who have seen their markets disappear, American pension funds' returns and of course, America's consumers who have discovered that tariffs, like taxes are borne by them.

Trades Wars, Currency Wars, and Financial Wars

Mr. Trump views the markets as a proxy for his actions and each time he lifts the hopes of a trade agreement, the market rallies but falls when no progress materializes. And subsequently, trust in his government and tweets suffers, at home and abroad, undermining faith in the United States and its currency. And while the President tells voters that there has to be a cost to fix the US economy, that cost is borne by the very voters he is hoping to help him return in 2020. Likely then is that the much ballyhooed mini-deal is more of a truce and the partial deal is only a reprieve. Uncertainties and a final agreement remains, particularly since the 15 month China-US conflict has morphed into a tech, currency and financial war.

Even so, President Trump has taken aim at Europe and China accusing them of playing "currency games", threatening all with a currency war and bullying his own Fed, to push the dollar down. Round one started when China temporarily allowed the renminbi to fall, breaking the "seven to the dollar" benchmark, for the first time since 2008. The Chinese have become the largest creditor, with the largest foreign exchange reserves in the world and the United States by comparison, the world's largest debtor. With less ammunition, the White House's trade war threatens to hit capital markets because any selling of dollars would be limited since the US only has $146 billion in the Treasury Exchange Stabilization Fund, too small to do much in a multi-trillion dollar currency market.

Despite few cards to play, Mr. Trump's pattern of bluffing has now been widely called out by America's trading partners and his policy of threatening the Federal Reserve, actually strengthened the dollar. In reality, needed is an accord such as the 1985 Paris agreement when President Reagan enlisted the G5 group of countries to coordinate a weakened dollar. However, President Trump's "America First" policy of trade wars and bullying of allies leaves "America First" in isolation. He should remember, that other classic Godfather line, "revenge is a dish best served cold."

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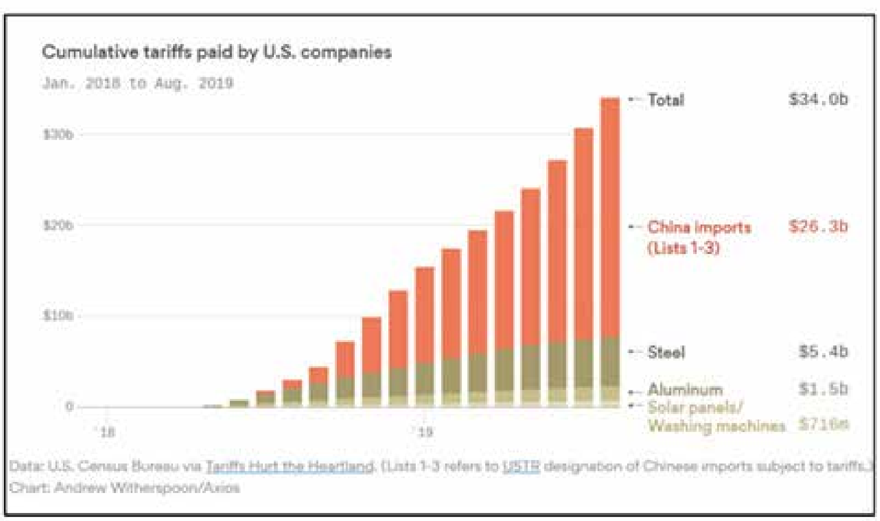
The cost of Trump's tariffs



Debt Does Matter

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President Franklin Roosevelt declared in his 1933 inauguration address, “We have nothing to fear about a recession right now, except for the fear of recession”. President Roosevelt’s words, said in the midst of the Great Depression, reveals just how long it takes to recognize how bad things are. The US Institute for Supply Management Index (ISM) shocked the street with a report that manufacturing data fell sharply to the lowest in a decade. The Fed’s Beige Book too showed the US economy slowing down. Still the market and politicians believe there is no recession, yet, there is a recession, not in the economy, but in corporate profits. The cost of President Trump’s “easy to win” trade war mounts.

However, the orgy of spending under Trump and entitlement spending has resulted in a fiscal deficit of 4.5 percent of gross domestic product lifting the government debt to GDP to 100 percent. And now with the sugar high from the tax cuts in the past, central banks led by the Fed are pushing interest rates lower. US Treasuries, once the risk-free pillar of modern finance, now threaten negative yield territory, leading to risks of inevitable chain reactions and time bombs.

Negative Interest Rates, Yield Negative Returns

Once upon a time, saving for a rainy day meant setting aside money so that bills could be paid if one loses a job or needed for retirement. Money was even kept in mattresses because banks were considered unsafe. Today it is different. After experimenting with three rounds of quantitative easing, central banks have bought up most of the available bonds with newly printed money. Central banks from Europe and Japan have embarked on their next big experiment, negative interest rates as more than 30 central banks around the world cut interest rates this year. Negative interest rates distort markets. Swiss bankers, UBS and Credit Suisse introduced negative rates on large deposits where their wealthy clients must pay for the privilege of leaving their funds with the bank. In fact, desperate for yield, investors are buying 30-year bonds, despite the prospect of losing money at the end of term.

One concern is that the negative yields are climbing at the rate of some $3 trillion a month, growing to $17 trillion, an historic high, and soon to be joined by the United States. The rich are getting poorer. Holders of bonds today, if held to maturity are guaranteed to lose money. Another worry is that pension funds who depend on interest returns are aghast as central banks threaten to lower interest rates even more.

So what to do? If you are going to be charged to keep money in the bank, investors will buy other assets to preserve capital. To be sure, aging populations and negative yields will collide as capital allocation is distorted as debt becomes too unmanageable. Over the short term, money has been chasing overvalued stocks with a view that return on capital is better than nothing. Sometimes nothing is better than losing.

To be sure the distortion of negative yields across the globe also hurt the central banks whose portfolios hold part of the one third of global bonds that carry negative yields. More significant is that negative yields also undermine the pension funds, banks and other savers who are the very cornerstone of the capital markets and cannot exist with negative IOUs. And Wall Street has yet to figure out how to price risk on the trillions of dollars of esoteric financial instruments because negative yields do not work in their mathematical models. The financial system has thus become not only overly exposed but also unsustainable as weaker companies, unprofitable or leveraged players pile up more “interest free” debt. Debt cannot keep rising while interest rates keep falling. Eventually, central banks will reach a negative rate floor when cash in the system runs out or when depositors withdraw funds as they decline to pay fees to lend to those institutions. Ironically, negative interest rates have done little to boost economic growth. Central banks have become irrelevant.

Of more concern is that there is simply no reason to keep money in the bank. Taken to the absurdity, the deposit base of banks will inevitably shrink as depositors stuff their savings into mattresses or alternatives, which reduces the banks’ original mandate, that is to make loans. Without capital for loans, loans aren’t made. But more important, negative interest rates reduces confidence in fiat currencies. History shows that when money ceases to be a store of value, investors simply find other ways to protect themselves.

Debt Does Matter

Investors and central bankers are puzzled that despite abandoning monetary orthodoxy and rounds and rounds of quantitative easing, we have declining interest rates, and inflation is nowhere to be seen. The problem is that many overlook that there is inflation, in stock prices, classic cars, precious metals, and the bond market. Money markets are behaving differently and the risk of inflation as well as central bank solvency has increased with the repo market in disarray as a sudden spike in interest rates for repurchase agreements, set the capital markets spinning.

We believe that the markets should be looking for stagflation, as a result of the huge increase in debt. Traditional economic theory is that debt monetization is a phenomenon when governments issue debt to finance spending and the central bank itself buys that debt in secondary markets, thus increasing money supply. Yet central banks are not targeting money supply but instead inflation and unemployment, which are

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laggard statistics and noteworthy is that unemployment is at the lowest level in 50 years, considered full employment today. We believe that the debt monetization has come at a cost of higher debt loads. Most sovereign debt are yielding negative returns with a shift from "risk-free" returns to "return-free" risk. But, in today's environment of declining interest rates, what remains constant is that the interest payments, are taking an increasingly larger percentage of government revenues. Those fixed interest payments on debt are deflationary and one of the reasons why there is less money going into the system which ironically was one of the factors, that exacerbated the Great Depression. Debt does matter.

Repo Market Mess, A Repeat of 2008?

And today, a decade after the last financial crisis, Wall Street is again facing a liquidity crisis as the Fed was forced to inject funds into the overnight repo market. The Fed pumped almost $300 billion into the US financial system because the system literally ran out of cash. To steady the short term money markets, the overnight borrowing rate surged more than 10 percent, up from 2 percent and upsized to $200 billion of cash for the last day of September, reflecting the tightness of the US money market. The Fed then extended purchases of Treasuries in a second attempt to avert another lending squeeze. Many viewed the repo rescue as a technical hiccup in the market's plumbing. Wrong.

We believe the squeeze and emergency funding was a natural consequence and systemic problem of the unwinding of six years of quantitative easing, and as a result the Fed has lost its monetary grip, leading to fears that they are no longer in control of short term borrowing rates and are resorting to a soft QE4 to fix the problem. Others believe there is a larger unknown counterparty risk, particularly since the five largest US banks hold more than 90 percent of total reserves. Ironically, left unsaid is that the shortage of cash is no surprise in an environment of negative interest rates, and a familiar scene for emerging countries like Argentina where patterns of running out of cash is an all too regular event. Gold is a good thing to have as the so-called collateral chain tightens. After all, the repo market was at the epicentre of the last global financial crisis. Déjá vu.

In the Beginning, There was Gold

That is not all. The market's daily record highs sometimes feel like a mirage. The trade wars and negative interest rates have forced investors to risk returns even though shares are overvalued. But trees don't grow to the sky and the market is showing signs of old age. Daily highs in the Toronto market come from only a core group of stocks, while the broader sector such as the energy or financial stocks are stuck in the doldrums. Similarly, in the United States, the big technology stocks pushed the Dow to ever higher highs but the lack of breadth is concerning. More troublesome is that in the quest to boost returns in a zero rate environment, investors have sunk trillions of dollars into the largely unregulated private and venture capital markets with the big Wall Street banks stoking the bubble, fueling even higher valuations in a Ponzi-type valuation scheme.

The illusion of prosperity is best reflected by the collapse of unicorn WeWork which postponed its IPO offering, causing a backlash against big tech stocks. WeWork failed to secure the analysis of the public markets when its corporate governance and leadership concerns were disclosed. Although Wall Street's big investment banks had valued WeWork at $65 billion, the IPO price at $47 billion was quickly discounted to $15 billion, when the deal was shelved. Scrutiny was also on the big venture capital fund, SoftBank Group who invested almost $10 billion in WeWork and like the big Wall Street banks had much to gain by the going public route. However it is not that WeWork failed because of its CEO's foibles, but it was a flawed "growth at all cost" business model of never making any money. Of concern is that with rental commitments of $47 billion, WeWork has become the largest landlord in the world and will spend $9 billion this year, despite having cash of $6 billion It appears that SoftBank and WeWork did not hear the music stop. Caveat Emptor.

Gold Is a Better Store of Value Than the Dollar

We believe that America's new isolation, together with the trade hostilities will usher in a cycle of competitive devaluations, stock market crashes and volatility, strikingly similar to the onset of the Great Depression in the Thirties.

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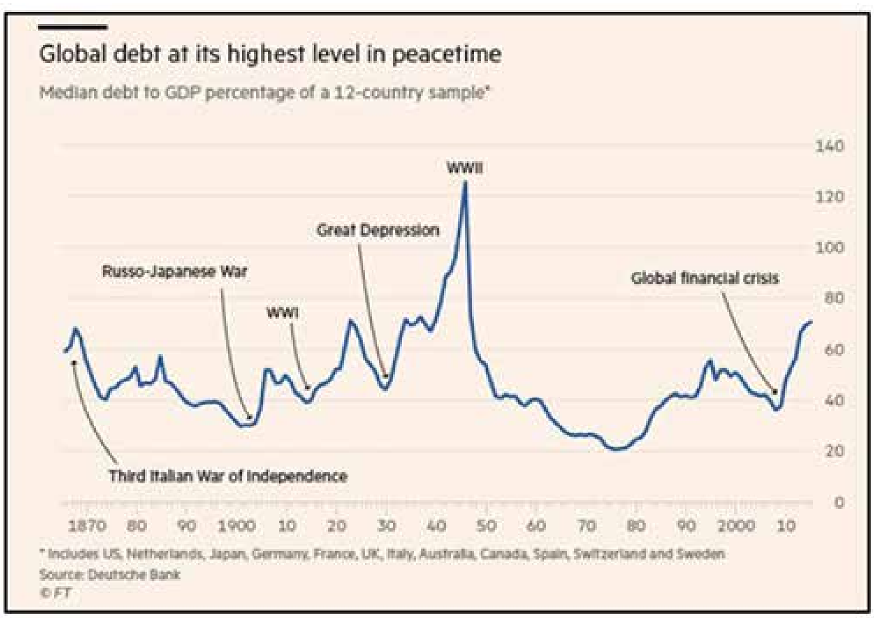

Rick Rule on Gold

VIDEO: Rick Rule, President and CEO of Sprott U.S. Holdings Inc., shares how the worldwide explosion of negative yielding debt shapes his bullish outlook on gold. He examines the impact that a "war on savers" has on the global financial system and on precious metals, and he shares his ideas on where inflation fits into the equation. Rule explains his outlook for the future of the monetary system by analyzing the evolving relationship between cryptocurrencies, precious metals, and fiat currencies.

View the Interview Now

Gold Eyes Further Gains as Rock-Bottom Rates Tempt Investors

Fragile global growth and the prospect of interest rates staying lower for longer, boosting gold's appeal for nervous investors, are behind upward revisions to price forecasts for the yellow metal, a Reuters survey showed. Spot gold will average $1,402 an ounce in 2019 and $1,537 an ounce next year, according to the median forecasts returned by the poll of 40 analysts and traders in mid-October.

Those numbers are sharply higher than predictions of $1,351 for 2019 and $1,433 for 2020 returned by a similar poll conducted three months ago. Gold has averaged around $1,375 an ounce so far this year.

Gold – traditionally seen as a safe place to invest in uncertain times - hit a more than six-year high of $1,557 in September and with gains of about 17% so far is set for its biggest yearly gain since 2010.

"Rate cuts by major central banks, a deteriorating global economic outlook and elevated geopolitical tensions are the key tailwinds for gold prices," ANZ analyst Daniel Hynes said.

A U.S.-China trade war has sent a shiver through the global economy.

The U.S. Federal Reserve has meanwhile cut interest rates twice this year to stimulate growth, and other major central banks have followed suit.

Lower rates reduce the opportunity cost of holding non- yielding bullion, making it more attractive to investors. Central banks have also steadily increased their gold reserves and private cash has flooded into gold-backed exchange traded funds (ETFs), boosting physical demand.

"If central banks and exchange-traded funds keep on buying and the Fed continues with lowering interest rates, we will talk about prices of $1,600 in the near future," said LBBW analyst Frank Schallenberger.

For silver, poll respondents forecast average prices of $16.24 an ounce this year and $18.13 in 2020, up from predictions of $15.50 and $16.85 three months ago. In the year to date it has averaged $15.97 an ounce. Silver will remain cheap relative to gold, with the gold/ silver ratio averaging 86 in 2019 and 85 in 2020, not far from a more than two-decade high just above 93 reached in July.

Silver in September breached the $19 mark for the first time since 2016. It tends to move with gold, but around half of consumption comes from industry, and weaker economic growth would drag on demand and, potentially, prices.

Gold and silver prices have dipped in recent weeks as signs of progress in trade talks revived appetite for riskier assets. If reached, a trade deal could boost economic growth and hurt gold and silver, said ETF Securities analyst Nitesh Shah.

Speculative bets on price rises for gold on the COMEX exchange have eased slightly from record highs in September, while those for silver have also dipped from a near two-year peak in July.

High prices have also dampened demand in Asia, the biggest gold-consuming region.

"The main negative factors (for gold) are the speculative overhang in the futures market and the lacklustre demand from physical buyers in India, to some extent in China and amongst Western coin and bar purchasers," said Ross Norman, an independent analyst.

"Gold is due a period of consolidation and perhaps even a temporary correction," he said.

Goldman Sachs Keeps 'Neutral' View on Commodities

Goldman Sachs recently maintained a 'neutral' view on commodities, reasoning that a loss in supply due to geopolitical factors and lower investment has offset waning demand, which has been the worst since the financial and European sovereign debt crises.

The bank forecast a return of 1.3% over a 12-month period on the S&P/Goldman Sachs Commodity Index (GSCI), with a 3.4% return for precious metals, 1.9% for energy, 3.8% for industrial metals and a negative return of 6.9% for agriculture.

The bank noted with investment growth now falling due to rising uncertainty, a precautionary savings glut is developing, supporting gold and bond prices.

"When combined with 750 tonnes of central bank gold purchases related to de-dollarization and defensive portfolio rotations, the savings glut means we maintain our bullish gold stance with a 6-month target of $1600/ toz."

Goldman also said despite talk of a potential trade war truce and Brexit deal, it does not see a rebound in investment given the wide range of policy-driven uncertainty that has both breadth and depth.

Meanwhile, the broad nature of policy uncertainty across multiple fronts limits the commodity price upside from a trade truce and reduces the persistence of macro market movements.

"The U.S.-China trade war, Iranian tensions and sanctions, Brexit, the ongoing Hong Kong macro uncertainty, U.S. impeachment proceedings, and developments along the Turkey/Syria border, etc. keep the upside limited," the bank added.

Mid-Tier Gold Producer with Advanced Exploration Projects in the Americas

Argonaut Gold is a Canadian gold company engaged in exploration, mine development and production activities. Its primary assets are the production stage El Castillo mine and San Agustin mine, which together form the El Castillo Complex in Durango, Mexico and the production stage La Colorada mine in Sonora, Mexico. Advanced exploration stage projects include the San Antonio project in Baja California Sur, Mexico, the Cerro del Gallo project in Guanajuato, Mexico and the Magino project in Ontario, Canada. The Company also has several exploration stage projects, all of which are located in North America.

Argonaut Gold's Mission – Their mission is to extract and deliver maximum value from our projects and gold mining operations for all our stakeholders. The management team has a strong history of creating value and will continue to focus on creating value.

Argonaut Gold's Vision – Create the next quality mid-tier gold producer in the Americas with a production profile between 300,000-500,000 ounces.

ARGONAUT GOLD

Creating value beyond gold.

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Puma Exploration: On Track for the Next Discovery in New Brunswick

puma exploration

Puma Exploration Inc. (TSX.V: PUMA) is a Canadian- based mineral exploration company located in Rimouski, Quebec. This junior company, which has been active in the field of mineral exploration since 2003, is distinguished by its dynamism, as evidenced by its projects at different stages of development in precious and base metals. The Corporation's main projects are the Murray Brook, Turgeon and Nicholas-Denys projects, all located in New Brunswick, a province rich in natural resources.

Puma Exploration projects are located nearby and inside the famous Bathurst Mining Camp (BMC).

Puma Exploration has become a major player in mineral exploration in New Brunswick through the acquisition of a diversified portfolio of mining properties. The Corporation benefits from the proximity of several infrastructures: In addition to the structured road network bordering its projects, a major seaport, the one of Belledune, is located near the city of Bathurst.

Also, Puma owns an equity interest in BWR Resources (TSX.V: BWR) exploring for gold in Manitoba and also an option agreement with Rio Tinto for the Red Brook Project in New Brunswick.

Puma Exploration recently announced the closing of the purchase agreement with Targets Minerals in relation to the Nicholas-Denys Project as disclosed on August 27, 2019.

In exchange of its interest in the Ann's Creek and Beresford Copper properties and in some surface rights, Puma has received $100,000 in cash, $10,000 in debentures and 14,200,000 shares of Targets Minerals representing approximately 48% of the current and outstanding shares of the company. Puma also retains 1% NSR Royalty of which half of it can be bought back for $1,000,000.

Puma constitutes the largest Targets Minerals shareholder and both managements will work together to create a major new active player in Northern New Brunswick with the initial focus on precious metal (Gold-Silver). Targets Minerals plans to list its shares on a Canadian Stock Exchange within the next 18 months, notes Marcel Robillard, President and CEO of Puma Exploration.

For further information on Puma Exploration, contact Marcel Robillard, President, 175 rue Légaré, Rimouski, QC G5L 3B9. Phone (418) 724-0901. Email: president@explorationpuma.com or visit the website at www.pumaexploration.com.

Mr. Trump is Good for Gold

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Governments then boosted trade barriers and rounds of protectionism caused the reneging of monetary commitments. What ended the Great Depression was a new monetary order in Bretton Woods, which lasted a quarter of a century, until replaced by a fiat currency, the US dollar and eventually, dollar hegemony. China and Russia are moving out of dollar denominated asset and buying up enormous stores of gold instead. China added almost 100 tonnes of gold to its reserves over the past 10 months. Today America has been running large, chronic deficits, spending more than they are producing, piling up the largest debt in peacetime. Like before this is unsustainable.

The US dollar acts as the primary currency for the global community and serves as the global safehaven for international investors and official reserves. However, US financial markets are vulnerable and the epicentre of the next crisis as the United States is heavily dependent on foreign capital to finance its huge and growing deficits. In other words any reduction in foreign flows could cause Treasuries to lose value and the Fed would have to fill the financing gap. This eventuality resembles what is happening in Venezuela, Turkey, Iraq or Zimbabwe where increasing the money supply to finance consumption or pay the national debt, resulted in the debasement of currency.

So too, American profligacy and monetary hegemony has undercut faith in the dollar. America cannot have a strong economy, conduct a trade war and a weak dollar all at the same time. Gold is an alternative store of value to the dollar and until there is a replacement, it is a traditional haven asset against the debasement of currencies, giving financial protection during financial crises.

Mr. Trump is Good for Gold

Gold recently traded at 6 1/2 year highs as investors sunk almost $4 billion in September in global ETFs to 2,808 tonnes, the highest ever, amid fears of a recession, exacerbated by President Trump's protracted tariff war as well as the onset of negative interest rates leaving investors nowhere to hide. Gold is a beneficiary of the central banks' driven policies of negative yields. Further underpinning gold is America's profligacy and record debt level which is not only unsustainable but undermines confidence in the US economy and its currency. One can detect the decline in confidence in every part of the world. What damages trust in the US, damages the world. Investors today are left with whom or what can they trust.

Last year 22 central banks bought the most gold in half a century ending four decades of demonetisation. So far this year 14 central banks bolstered their gold reserves with total gold holdings back to early 1950 levels, with gold distribution shifting from the west to the east. Investors suspect that the American people will elect an inflationary president next year. No candidate, including Mr. Trump stands for sound money. Meantime, there are supply problems as miners deal with declining reserves, grade and increased costs. China is the largest gold producer in the world and like other major central bankers is buying gold such that China is currently the sixth largest holder, after Russia. There is not enough gold to meet demand. In June, gold broke out from a five-year trading range beginning its new bull market. Gold is up 15 percent year to date. With so much fear stalking the world, we believe gold will post new cyclical highs, exceeding the last peak of $1,921, reached in 2011.

Mr. Trump is good for gold. In the Godfather, Don Vito Corleone said, *"Lawyers can steal more money with a briefcase than a thousand men with guns and masks"*. Today, this" Goldfather" might have substituted politicians for lawyers. Gold is a good thing to have.

Mining Company Recommendations

Mining companies will have a mixed quarter as some producers managed to lower debt, others reduced production costs in an attempt to boost margins but few replaced ounces. Most gold producers however continue to rein in costs and focus on spending in order to protect their balance sheets. Cash flow is king as most of the gold miners have lowered "all in costs" (AISC) below $1,000 an ounce, which potentially allow dividend policies that would give shareholders a return and enhance shareholder value. Still, reserve replacement is a problem for the industry, which will end the year with a declining reserve picture, as the miners find it increasingly

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expensive to replace production. Nonetheless, growth-oriented Agnico Eagle Mines and B2 Gold bucked the trend with growing production profiles next year. While market fundamentals have improved, exploration players continue to find projects difficult to finance resulting in a dearth of discoveries.

We continue to recommend **Barrick Gold** and **Agnico Eagle** among the senior producers. We also like **B2 Gold** and would avoid debt heavy **Yamana** and **New Gold.** IAMGOLD is still pursuing asset optimization but we did not think the Chinese players would spend $2 billion to buy a producer that loses money. We would also look at the junior developers that have completed feasibility studies and need only capital to finance their developments.

• **Agnico Eagle Mines Ltd.** (AEM) – had a good quarter and expects record production this year due to the ramp up of Meliadine in Nunavut, which achieved commercial production ahead of schedule and Amaruq in the current quarter. Most of the heavy lifting and expenditures have been done and Agnico will harvest its new production from the Meadowbank complex where total expenditure costs will come in at $830 million, below $900 million forecasted. At Kittila in Finland, good grades at the Rimpi zone will extend the high-grade mineralisation. Agnico successfully replaced reserves last year with 22 million ounces at an average grade of 2.70 g/t. As of June, Agnico had strong liquidity of $126 million and a $1.2 billion undrawn line. We like Agnico Eagle for its growing production profile, low costs, and pipeline of projects.

• **Barrick Gold Corporation** (ABX) – Barrick results continue to show improvement, allowing the company to pay down debt. Barrick produced a five-year plan for mammoth Nevada Gold Mines with an emphasis on production, synergies and reserve replacement. The joint venture has 10 underground mines, a dozen open pit mines with 48 million ounces of reserves and 10 processing facilities. Barrick recently released drill results extending the Four Mile discovery as part of the three tier one assets it owns. Gold Rush is included in the Nevada joint venture, which produced 4.1 million ounces last year. Barrick also acquired the remaining Acacia Mining minority position, which should accelerate an agreement with the Tanzanian government to end the two-year standoff. Nonetheless, we like Barrick here for its array of tier one assets, experienced management and large reserve position.

• **Detour Gold Corporation** (DGC) continues its cost-cutting optimization with an emphasis on expanding margins. The miner is mining less but increased mill rates to optimize output, needed for a low-grade operation. Detour has improved operations but will unveil a new mine plan. The company refinanced its debt, extended term and reduced interest payments. Detour should produce 585,000 ounces this year at AISC of $1,200 an ounce,

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stressing the need for grade control and reducing cost. Nonetheless we prefer B2 Gold here for lower costs and rising production profile.

• **IAMGOLD Corporation** (IMG) is a mid-tier player that has been stymied by worker problems at flagship Rosebel Gold Mine in Suriname, which resulted in the stoppage of mining operations. Operations have been on and off following the death of a unauthorized miner. Rosebel is key since the interruptions at Rosebel mill affects processing of nearby Saramacca ore. Meantime Westwood in Quebec is still underperforming and a disappointment. We believe that the takeover talks with the Chinese failed because any suitor would not pay $2 billion plus for a company that can't make money. Sell.

• **Kinross Gold Corporation** (K) – Kinross surprised the street by expanding their footprint in Russia. Kinross acquired 100% of Chulbatkan development in Russia's Far East for $283 million over two years comprising 40 percent cash and 60 percent Kinross' shares. Kinross' due diligence suggests that there is a large resource of 4 million ounces and good grades for an open pit heap leaching operation. The Russian mine has a six-year mine life and could produce 1.8 million ounces. While the Kupol-Dvoinoye operation continues to perform well, Kinross' Russian exposure has been a price depressant. Also, the Tasiast 24K expansion project continues with Kinross starting the first phase but a deal with the government is needed. Kinross has a good pipeline of projects but should focus more on its Nevada assets such as Phase W or the Vantage Project at Bald Mountain than La Coipa and the Lobo Marte projects which are too big and capital intensive. We prefer Agnico Eagle or B2 Gold.

• **Kirkland Lake Gold Ltd.** (KL) – Kirkland Lake, an intermediate player with five underground mines and three mills in Canada and Australia, reported record production at 248,400 ounces. Kirkland had a strong quarter with low cash costs and huge margins due to high-grade Fosterville in Australia. Macassa Mine made a strong contribution at almost 63,000 ounces as it mines higher-grade stopes but the Holt Complex's higher costs hurt margins. Macassa has four drill rigs turning with high grade results to the northeast. Nonetheless, Kirkland has a strong balance sheet with $615 million and an all in cost less than $700 an ounce. We believe Kirkland should use its richly valued paper to acquire a mid- sized player to remedy Kirkland's relatively short mine life.

• **Newmont Goldcorp Corporation** (NGT) – Newly minted President and Chief Executive Officer, Tom Palmer has his hands full and has given a more realistic guidance outlook due to the need to integrate, reduce costs and optimize the Goldcorp acquisition. Costs were hit by an illegal labour dispute at Penasquito and while the blockade was lifted, results will be adversely impacted. We believe that digesting Goldcorp will take a couple years and there is a likelihood of further asset sales. Newmont has 14 operating mines and 2 non-operating JVs with 90 percent of output in the Americas and Australia. Newmont reported that its Ahafo mill expansion in Ghana processed first ore, which will extend mine life to 2029. We prefer Barrick here because it will take a couple years to digest Goldcorp.

Editor's Note: This is an edited version of ***Gold: The GoldFather*** by John Ing, President & CEO of Maison Placements Canada Inc. Mr. Ing has over 45 years of experience as a portfolio manager, mining analyst and investment banker.

Maison Placements Canada Inc. is an institutional investment boutique that provides financial services to corporate, government, institutional, and individual investors. The firm offers securities underwriting, distribution, and execution services. Additionally, it provides investment banking services including mergers, acquisitions, and divestures; equity financing; financial and corporate restructuring; valuations; fairness and regulatory opinions; and management advisory. For more information on Maison Placements Canada, visit www.maisonplacements.com.

Big Oil, Big Yield

Excerpted from ***The Turnaround Letter****, www.turnaroundletter.com, published by George Putnam, III, a nationally recognized expert in turnaround and bankruptcy investing.*

While the broad stock market reaches for new all-time record highs, companies that produce oil and natural gas remain heavily out-of-favor. This is true not only for higher-risk small-caps, but also for the well-capitalized and diversified majors. Yet, with Big Oil stock prices down by as much as 60% since oil prices peaked at over $100/barrel in mid-2014, they look like high-yielding bargains.

Investors are avoiding Big Oil stocks due to several concerns. Perhaps the most pressing are fears of another decline in oil prices from steady growth in U.S. production and a possible global recession. Also, investors wonder if the majors will be able to sustainably increase their production, worry that they will forget their new-found cost and capital discipline, and question whether they can navigate the eventual migration to a post-petroleum, low-carbon world.

While oil prices are notoriously difficult to predict, there are reasons to believe they could remain steady or even increase. Oil consumption continues to grow, now at nearly 100 million barrels/day, led by the strong U.S. economy and rising secular demand in developing countries. Also, the oil supply outlook may not be as rosy as forecast fracking-based production growth in the U.S. is slowing and may not reach the lofty 12 million barrels/day that many are anticipating. Conflicts in the Middle East may threaten production there, and the industry-wide tapering of capital investment could mean less new supply growth in future years. It isn't set in stone that oil prices will be weak forever.

Also, despite the interim environmental issues, a post-petroleum, low-carbon world is likely decades away, providing plenty of runway for the Big Oil companies to prosper while they develop their transition plans.

Chastened by the post-2014 oil price collapse, most major oil companies appear likely to maintain their spending discipline while also returning surplus cash to investors. Also helping: Big Oil companies have extensive "downstream" businesses such as refining, chemicals and marketing, which includes retail gas stations, which dampen cash flow volatility from their "upstream" oil production. Importantly, they generally maintain solid balance sheets to support their businesses.

We've outlined below our bullish outlook for six major oil companies. While they each carry risks related to commodity prices, production volumes and costs, they all offer "big yields" along with attractive valuations that should more than compensate. Potential investors should note that they all report third quarter results in the next week or so. While these companies are in many ways very similar, read the discussion below to help differentiate between them.

BP

• **BP** (BP) – For nearly a decade, BP has focused on recovering from the 2010 Deepwater Horizon disaster. While the total costs from that disaster will likely reach $65 billion, the 2016 final settlement removes the weighty overhang. BP has repositioned itself for steady 4-5% annual production growth, combined with more competitive downstream operations. Its already-healthy free cash flow, helped by its 19.75% stake in Russian energy firm Rosneft, should be further bolstered by lower operating costs and higher capital spending efficiency. Annual $2 billion Deepwater Horizon settlement payments will step down to $1 billion next year and beyond. Temporarily elevated debt from its $10.3 billion acquisition last year of BHP's U.S. onshore operations is being repaid by proceeds from an on-going divestment plan. The company resumed paying dividends in cash-only and committed to repurchasing shares to offset dilution from the past few years' scrip dividends. BP currently yields 6.3%.

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Chevron

• **Chevron** (CVX) – Chevon's shares have held their ground in recent years, bolstered by a well-executed strategy. As a result, it appears poised for free cash flow expansion as production could grow 3-4% a year while capital spending flattens. Their strong Permian Basin presence provides a low-cost, low-risk and high-visibility production base. Similarly, Chevron's giant Australian LNG operations are reaching full production which should provide stable revenues for years yet require only minimal incremental capital spending. The company anticipates returning much of its cash flow through steady share repurchases and dividends that offer investors a very respectable 4.0% yield.

ConocoPhillips

• **ConocoPhillips** (COP) – While its yield isn't quite as high as its peers, ConocoPhillips has arguably stronger fundamentals. Not only does the company have decent production growth, rising free cash flow and a low-risk focus on North America, it has committed to paying out 30% of its operating cash flow each year. While the constraint may limit production growth, it addresses a recurring investor concern: that major oil companies tend to squander their capital. Bolstering management's credibility is that they will pay out most of the cash through buybacks, allowing it some flexibility should oil prices weaken. COP pays a 3.0% yield.

[Ed. Note:] ConocoPhillips unveiled a long-term plan on November 19 to boost oil and gas production by about 3% per year, restrain annual spending to about $7 billion and return $50 billion to shareholders over the next decade.

The largest U.S. independent crude producer said it expects to spend about $20 billion on dividends and $30 billion in share buybacks in 10 years.

ConocoPhillips expects several decades ahead of lackluster oil prices, with U.S. oil to average between $40 to $70 per barrel through the 2050s. Ride-sharing, electric vehicles and urbanization will impact demand for the company's products, but Executive Vice President Matt Fox said oil and gas would remain an important part of the energy mix through 2050.

ExxonMobil

• **ExxonMobil** (XOM) – Despite its reputation as being fiercely efficient, ExxonMobil's daily production has remained flat at around 4 million barrels for years. Its share performance is among the worst of its peers, down 33% from its mid-2014 peak. Perhaps characteristic of Exxon's go-it-alone legacy, it is implementing a contrarian strategy by ramping up capital spending while the rest of the industry shows restraint. Its goal is to double its earnings and cash flow from operations by 2025 at today's oil prices, with contributions from all three of its segments (upstream, downstream and chemicals). If successful, Exxon would be a much larger, more dominant and more valuable company. In the meantime, the company must sell assets and defer buybacks to cover its dividends and capital outlays. Execution risk is high despite XOM's reputation as one of better operators in the industry. EOM yield is 5.1%.

Occidental Petroleum

• **Occidental Petroleum** (OXY) – Under attack from activist Carl lcahn for its high-priced, massive and controversial $55 billion acquisition of Anadarko Petroleum in August, "Oxy" offers a unique turnaround prospect among the majors. The combined company's post-merger cash flows need to service a heavy debt burden, with a further constraint that Berkshire Hathaway gets an $800 million annual preferred dividend on its $10 billion investment before the company can fund its capital spending program and $2.8 billion in common stock dividends. Occidental is focusing on aggressive cost-cutting and assets sales to whittle down the debt burden, although both efforts may take some time. Another opportunity: Occidental will apply its highly-regarded drilling processes to boost the efficiency of Anadarko's Permian oil fields. The company's shares are cheaper and higher-yielding for a reason, but also offer the opportunity for outsized returns if the turnaround is successful. The current dividend yield is 7.5%.

Royal Dutch/Shell

• **Royal Dutch/Shell** (RDS/B) – Royal Dutch/Shell shares trade 30% below their mid-2014 peak, even after bouncing 10% following surprisingly weak 2Q results. Despite a difficult near-term outlook, management is implementing an ambitious plan to significantly boost free cash flow over the next five years. Helping its prospects are benefits from its cost-cutting program and its giant $70 billion acquisition in 2016 of BG (British Gas). Shell's capital spending budget remains tight, partly hampered by its elevated production costs and sub-par margins in its European downstream business. Nevertheless, the company, appears committed to heavy stock buybacks and supporting its dividend. Especially as it restored the latter to full cash pay after a period of issuing some of the dividend in the form of shares. The dividend yield is 6.2%.

Editor's Note: For more than 30 years, *The Turnaround Letter*, published monthly by New Generation Research, 1 year, $340, has helped investors find out-of-favor stocks with catalysts that can produce market-beating returns.

Founded in 1986 by George Putnam, III, New Generation Research, Inc. has established itself as the preeminent source for in-depth information on corporate bankruptcies and distressed companies. For more information on these publications visit www.TurnaroundLetter.com.

Bull & Bear's NewsWire

Kirkland Lake Gold

Acquires Detour Gold, Buy KL, Despite Recent Drop in Price, Average In; David Morgan

David Morgan, editor of *The Morgan Report*, issued the following Alert to his members on the acquisition of Detour Gold Corporation (TSX: DGC) by Kirkland Lake Gold Ltd. (TSX: KL):

"On November 26, Kirkland Lake Gold announced the acquisition of Detour Gold. This deal adds the third cornerstone asset, which increases average annual production for the company to 1.5m oz/yr. This is substantial in the gold business!

Detour Lake is currently Canada's second-largest producing mine in terms of output and largest mine reserves (with a mine life >20yrs). The implied equity value of this deal is roughly C$4.9b (US $3.8b). Upon completion of this transaction, existing Kirkland Lake and Detour Gold shareholders will own approx. 73% and 27%. This will be an all-stock deal, leaving the new Pro-Forma Kirkland Lake net cash balance of $630m.

There is significant expansion potential at Detour Lake in terms of mine life and average annual output. The current management of Detour Lake has done a poor job managing costs, though things seem to be improving. All in sustain costs (AISC) at Detour Lake are currently at $1,198/oz. To be objective, this was part of mine plan as lower grades were mined during the quarter (Q3). As it stands currently, AISC, on average, should be in the range of $1,050-$1,125/oz. Over time we believe Kirkland Lake will realize synergies (projected at $75-$100m/yr.) and operational improvements that will drive down AISC. Longer-term should Kirkland Lake successfully expand the mine such that it produces 800-900k oz. p.a., this will likely drive down costs.

We like this deal (not love) solely because it is perfect timing with gold prices moving higher such that margins are acceptable on this asset of scale, and we now know this asset is in the hands of a very capable management team. There have been a lot of frustrated Detour Gold shareholders over recent years, so we currently see a sell-off in Kirkland Lake immediately and/or once the deal is complete.

At the time of this writing, Kirkland Lake Gold is down 16%, and prices could stay depressed until the deal closes, and Kirkland Lake can show it will be a more competent operator of the Detour Lake asset. This is typical when companies announce big deals such as this. For those who remember, Kirkland Lake was also hit hard when it acquired Newmarket gold, after which time, it appreciated nearly 10-fold. Kirkland Lake Gold is now the only senior gold producer of scale with assets solely in tier-1 mining jurisdictions (Australia and Canada).

In our view it would be a time to acquire shares in one of the best miners in existence. Should you purchase today with a drop of 16%? Best to purchase over the next few weeks and average in, there is no telling how the market may react short term, but for serious long term investors this is a gift, in our opinion."

Editor's Note: David Morgan is a widely recognized analyst in the resource sector and consults for hedge funds, investors, mining companies and bullion dealers. He is publisher of The Morgan Report, a monthly report that covers Money, Metals, and Mining. The website has the most comprehensive collection of information on the silver market.

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RJK Explorations Ltd. has increased its land position surrounding the Company's Bishop diamond exploration claims near Cobalt, Ontario, in search of the source of the historic 800 Carat Nipissing Diamond.

Read Full Report

Giga Metals Corporation

Battery Metals for a Clean Energy Future

Giga Metals' Turnagain Project hosts one of the world's largest undeveloped nickel-cobalt sulphide deposits. The growth in electric vehicles and energy storage is accelerating and, as a result, GIGA intends to fast track the development of the Turnagain Project.

For More Information on Giga Metals

Argonaut Gold Inc

Argonaut Gold Inc. announced its operating and financial results for the third quarter ended September 30, 2019 and organizational restructuring. Primary assets are the El Castillo mine and San Agustin mine, which together form the El Castillo Complex in Durango, Mexico and the La Colorada mine in Sonora, Mexico. Advanced exploration projects include the San Antonio project in Baja California Sur, Mexico, the Cerro del Gallo project in Guanajuato, Mexico and the Magino project in Ontario, Canada.

Read Full Report

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