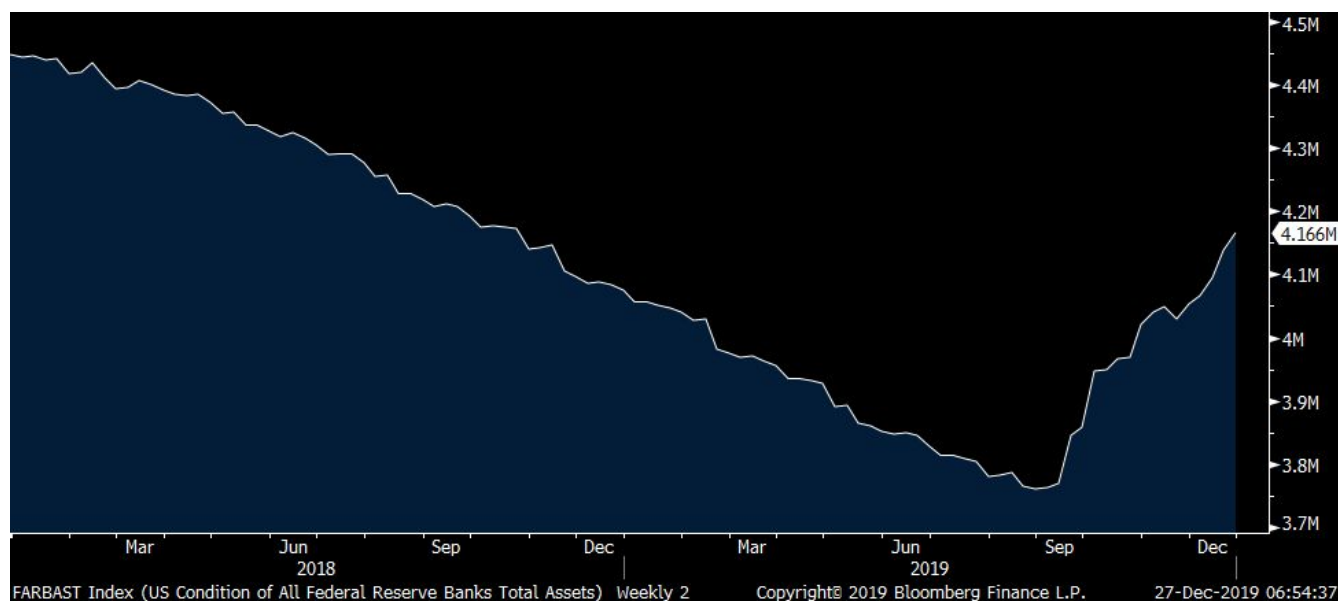


2020 outlook

Chen Lin
December 2019

It has been a wonderful year for me and hopefully most of my subscribers. I had big gains in gold as well as biotechs, even after big exploration disappointments in energy companies. What will happen in 2020? I would be very focused on the QE that the fed is doing right now. Attached is the fed balance from Bloomberg. ***As soon as the fed stops printing money, we could have a correction in the market.*** For now, let's enjoy the ride. There are a lot of other uncertainties in 2020: the US election, Brexit etc. I would be cautious in the market. I am planning to take some profits off the table in both gold and biotech in Q1 to have more dry powder into the rest of the year. Gold is setting up a good trade into the Chinese new year. I am planning to sell some of my future positions as well as liquid miners into it as usual around the Chinese new year, very much dependent on the QE pace.



Why is the fed starting QE again? The most credible explanation I got is that because of the negative interest rates around the world, people started to withdraw money from the bank and putting it “under the mattress”. That caused the run on the banks and many banks are under stress despite the decent economy. So, as long as there are negative interest rates, the fed may be forced to continue QE for a while and we will have a great 2020! It is one of the most important factors to watch.

Precious metal and mining

I said in last year's outlook, “2019 looks like a transforming year for gold”. It was a transformation year for gold! We had one of the best years for gold and gold miners! I was very fortunate to load up gold and gold miners in December of 2018. I bought more silver and platinum futures in December for a trade and plan to book some profits into the Chinese new year, which is traditionally the season peak of precious metal prices. In general, I would be less aggressive in 2020 than 2019. A lot of stocks jumped a lot in 2019 and I am looking to book profits. CDE I hope it will break out from the current 8 dollar

resistance and go to 10, hopefully even going back to the 2016 high of 15 dollar. GFI I hope it will retest 8 and then 10. GORO is breaking out big time; I hope it will retest 7 soon. All of these 3 were big winners for me in 2019, and I am planning to take some off as they hit each of these levels of resistance to be on the safe side.

I remind everyone that companies usually report Q4 production numbers around mid-January. Mining stocks were up a lot lately and expectations are high. Any companies that miss the production guidance will be punished severely. It is prudent to take some off before these releases.

The miners are not exactly following gold price movement. Some outperform big time, some are lagging. The biggest tax loss buying opportunities of gold miners are OGC.to, OR, NGD, MUX and AUMN. In particular, I really like OGC. It is the lowest valuation that I have seen for many years. There were massive insider purchases of OGC by many insiders in the past months. These are strong indications that it is a great buy here.

Amended Filing

As of 11:59pm ET December 26th, 2019

Filing Date	Transaction Date	Insider Name	Ownership Type	Securities	Nature of transaction	Volume or Value	Price
Dec 17/19	Dec 17/19	Almond, Graham John	Direct Ownership	Common Shares	10 - Acquisition in the public market	20,000	
Dec 9/19	Dec 6/19	Whipperman, Cody	Direct Ownership	Common Shares	10 - Acquisition in the public market	13,500	\$2.36
Nov 28/19	Nov 26/19	Almond, Graham John	Direct Ownership	Common Shares	10 - Acquisition in the public market	17,040	
Nov 25/19	Nov 25/19	Whipperman, Cody	Direct Ownership	Common Shares	10 - Acquisition in the public market	16,500	\$2.39
Nov 21/19	Nov 21/19	Whipperman, Cody	Direct Ownership	Common Shares	10 - Acquisition in the public market	10,200	\$2.32
Nov 21/19	Nov 20/19	Wilkes, Michael Francis	Indirect Ownership	Common Shares	10 - Acquisition in the public market	50,000	
Nov 19/19	Nov 19/19	Whipperman, Cody	Direct Ownership	Common Shares	10 - Acquisition in the public market	14,800	\$2.49
Nov 19/19	Nov 19/19	Whipperman, Cody	Direct Ownership	Common Shares	10 - Acquisition in the public market	5,000	\$2.48
Nov 19/19	Nov 19/19	Reid, Ian MacNevin	Control or Direction	Common Shares	10 - Acquisition in the public market	3,000	\$2.63
Nov 19/19	Nov 19/19	Reid, Ian MacNevin	Direct Ownership	Common Shares	10 - Acquisition in the public market	57,000	\$2.63

Cerro de Pasco Resources Inc. (CDPR.CN) made a lot of progress in 2019. They finally reached a deal with Volcan, Glencore's subsidiary in Peru. The deal was delayed for a few months, likely due to the Peruvian minority shareholders opposition. There were rumors that the project was worth over 1 billion and CDPR got it for 30 million. Plus it is based on the gold price of 1300 and 15 silver, before the 2019 run-up of gold and silver. I have high hopes for CDPR in 2020. However, all this only scratches the surface. The biggest upside is the gold tailing, ~30 million ton of this and it will likely be one of the richest gold mines in the world! We will find out H1 2020. The thing I like most about the project is that it will fix environmental issues that the mine had for centuries. It has the support of people in Cerro de Pasco, the local government as well as the central government. Not only will it

make good money for us, but it will also help the local people who have significant lead poisoning in their drinking water. The kids growing up there have significant lead in their blood and I hope it will give people in Cerro de Pasco a new beginning.

Other stocks to watch in 2020 are MAG and AXU. Both will start up high grade silver mines. Both may need a small financing before the positive cash flow. Usually, the last financing is a great buying opportunity and I like both should opportunities arrive to us.

Energy

Oil had one of the worst years in the past decade. My oil stocks had a bad year in 2019. In particular, **Pan Orient Energy Corp. (POE.V)** missed the Indonesia drill that hurt my portfolio a lot. **TransAtlantic Petroleum, Ltd. (TAT)/Valeura Energy Inc. (VLE.TO)** also delivered a huge disappointment in Thrace basin drilling in the same week. Talk about bad luck! But life goes on. I am looking for TAT buy out at a reasonable price in early 2020 and POE drilling and to sell the Thai project sometime in 2020. I am looking for better prices in 2020 and potentially good exit.

CUB Energy Inc. (KUB.V) jumped nicely in 2019, up 500% at one point. But after it failed the first high impact well to the west the stock got cut in half. In 2020 they will have two more wells to drill to the west plus one to the east. Recently, the new president of Ukraine had a few rounds of talks with Russia. If peace comes back to Ukraine and international money flows back, KUB, with huge land positions in Ukraine, should be worth a lot more.

Canacol Energy Ltd (CNE.TO) finally got the new pipeline connected. They started to pay dividends plus share buyback, just as I expected. It is one of the energy stocks that I can buy and sleep on it. It should continue to attract institutions into the story in 2020 and it should be a good takeover target as well.

Biotech

The last quarter was one of the best quarters for biotech in years after one year of brutal selloff. I was very lucky to load up biotechs around October, the perfect bottom. CLVS soon jumped 5 fold and SRNE almost tripled, plus there are many other winners. Here is the list of my biotechs:

Company	Bought/Add	Performance	Plan
CLVS	Bought -3	~5 folded, sold at 16+	Out and watching only
SRNE	Added big position at ~1.5	Almost tripled, sold a lot at ~4 after filing of 17 million shares for sale	Look to book more profits on the catalysts
VBIV	Bought ~ 0.5	Sold at .9 almost double	Out and watching only
TGTX	Added at 5+	Sold some at 9+	Holding the rest into next year key catalysts
ALDX	Added at ~5	Sold at mid 5s	Holding a small position to watch, likely 2021 story
AFMD	Added at high 2s	Dropped to low 2s due to financing.	A good tax loss buying opportunity. Key catalysts H2 2020
QTNT	Added at ~8	Only up to high 8s due to financing	Key catalyst coming in H1 2020
FENC	Added at ~4		NDA filing early 2020, FDA decision late 2020
ACST	Sold portion at ~2	Cost base is below zero, holding the rest into data	Key phase 3 in a few weeks
AGRX	Bought at ~1.7		Key catalyst on Valentine's day 2020, approval very likely, multi-bagger
SBBP	Bought at ~1.7		Key catalyst on phase 3 results Q2-Q3 2020, plus new CEO, potential multi-bagger
LJPC	Bought at ~2.7		Still trading at below cash, no debt. Potential multi-bagger
NEPT	Kept adding		Good tax loss buying opportunity

2020 should be a year of a lot of catalysts in my biotechs. Starting January with the ACST data, AGRX FDA decision is in February. Later, we should have the SRNE data, SBBP data, AFMD data, TGTX data and then the FDA decision on FENC. 2020 will be an exciting year for my biotechs! As usual, I suggest investors sell some on the pop ahead of the key catalysts and hopefully hold “free” share into the catalysts.

Summary

Attached is the sector performance in the two recent decades. Most noticeable is that energy dropped from number 1 to number 10, one of the worst decades on record! Energy stock weighting on the S&P dropped from 17% to only 4%! The recent huge write down of the shale assets could be the peak of the shale disruption to the oil market?! Relatively, I did quite well in the energy space. I mostly stayed with natural gas overseas that had little impact by the shale. I got into refiners at perfect timing, got in and out of ethanol with great profits. Made good money on Mart if you got in early. Compared to many investments that are going under, I did quite well, but it was not what I had hoped for. Let's hope for a better decade ahead. That's why I refused to sell my energy stocks at the bottom of the bear market. The rapid decline of Permian wells may also be signaling the peak of fracking boom in North America. I think we will remember the end of 2019; it could be the end of a long bear market in energy.

<https://www.cnn.com/2019/12/11/chevron-11-billion-writedown-could-hit-the-entire-market.html>

<https://www.businesswire.com/news/home/20191212005134/en/%E2%80%9CBase-Decline%E2%80%9D-Rate-Oil-Gas-Output-Permian>

Material and mining was also at the bottom of the past decade; it could be the new star in the coming decade. Mining stocks were killed after the 2011 peak. I was fortunate to have survived the downturn and did quite well with many good picks during the darkest years of the mining industry. Big winners in producers I have are WDO.to, MYA.to, and GFI to name a few. Exploration companies I have are NVO.v, GSV, and COR.v in the early days. As Fed rapidly expands its balance sheet, the mining industry is looking great into 2020. I believe it is stock-picker's market and I am excited about 2020.

QUITE THE REVERSAL

SECTOR PERFORMANCE RANK BY DECADE

	2010s	2000s
• Technology	#1	#9
• Cons. Disc.	#2	#7
• Health Care	#3	#5
• Industrials	#4	#6
• Financials	#5	#8

QUITE THE REVERSAL

SECTOR PERFORMANCE RANK BY DECADE

	2010s	2000s
• Energy	#10	#1
• Telecom	#9	#10
• Materials	#8	#3
• Utilities	#7	#4
• Staples	#6	#2

Conclusions

In conclusion, I had a great year in gold and biotechs, terrible year in energy. I am cautious heading into 2020, planning to take some profits in gold and biotechs in Q1 2020 to be on the safe side. There will be a lot of uncertainties in 2020 as the US election takes place. I would be careful and have dry powder on the side, as I believe it is a stock-picker's market that I usually do well in.