A year of living dangerously

2017 review and 2018 plans

Metals Investor Forum, January 2018 – Vancouver, Canada

www.explorationinsights.com
A year of living dangerously

- Greed eclipses fear in 2017
- 2017 performance of markets, commodities, ETFs and our portfolio
- Buying and avoiding in 2018
- Summary and conclusions
- Top picks for 2018
“Three great forces rule the world: stupidity, fear and greed.”

Albert Einstein
Risk-off mentality in last quarter of 2017...

Currently its >12

Source: Investing.com
...leading greed to eclipse fear

Currently its 72

Source: CNNMoney.com
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Stock market offered better risk to reward

2017 returns (%)

- LIT, 62%
- URA, 19%
- DJIA, 25%
- XBM, 27%
- JX, 9%
- GDXJ, 8%

Source: Investing.com and Exploration Insights
Bitcoin best performer by a crypto-mile

2017 returns (%)

GDXJ, 8%
Gold, 13%
JX
LCE, 33%
Zinc, 28%
Copper, 31%
XBM
Nickel
URAL3O8
Lead
Crude Oil
Silver
USD
NatGas
Tin
Platinum

-100% 0% 100% 200% 300% 400% 500% 600% 700% 800% 900% 1000% 1100% 1200% 1300% 1400%

Bitcoin has fallen 20% in 2018 year to date
Bitcoin, 1386%

Source: Investing.com and Exploration Insight

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Explorers >660% returns in <3 months

Source: Investing.com and Exploration Insights
...but can give half back in 6 months

Source: Investing.com and Exploration Insights

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Fatal attraction

- **Twilight Zone** – We find it difficult (impossible) to purchase some of these junior exploration companies.

- **Fatally flawed** - Poorly organized websites, presentations and press releases. Selective disclosures. Visuals and no assays.

- **Speculation was ripe** – Led by promoters and chat room denizens, retail investors flocked to some of these juniors, with an almost total disregard for hard data like sound geology and geochemical assays.

- **Return of science?** – We hope that real science and common sense gain credence in 2018.
Higher risk requires more homework

THIS HOMEWORK LOOKS HARD...

DO YOU WANT ME TO EAT IT?
We closed 18 positions in 2017 for ~80%

Source: Investing.com and Exploration Insights

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What worked

- **Discoveries** –
  - Ivanhoe Mines – Kakula
  - Mariana Resources – Hot Maden
  - Consistent and continuous high grade mineralization in both deposits.

- **Geopolitical risk** –
  - High but partners mitigated it somewhat.

- **Commodity market** –
  - Both copper and gold performed well during the period.
Hot Maden – high grade, consistent

Source: Mariana Resources

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What didn’t

- Drilling results –
  - **Erdene** – Bayan Khundii in Mongolia
    - Gold mineralization is less continuous and more volatile than we originally thought.
  - Capping strategy required.
  - **Amani** – Giro Gold Project in the DRC
    - Gold grades need to be higher (>2 g/t Au) given location.
Bayan Khundii– High grade but thin and discontinuous

Source: Erdene Resources and Exploration Insights
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Our thesis remains the same

- Major producers need high margin projects to provide the returns investors want.
- Few exist to replace what mining industry digs up.
- Decimated exploration budgets force majors to invest in juniors to fill pipeline.
- Trend will benefit top tier prospect generators and grassroots exploration companies which often have more grassroots exploration expertise than the majors.
- Grassroots exploration in mining friendly jurisdictions with competent management teams have the highest probability of success in a highly risky sector.
Gold had a good year

Annual changes in the USD gold price (% yoy)

Source: World Gold Council and Exploration Insights

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Focus on gold explorers

Source: S&P Global Market Intelligence and Exploration Insights

www.explorationinsights.com
Copper production peaks in 2019?

Copper Mine Production Peaks in 2019

Existing and Fully Committed Mines

Source: Teck Resources
Copper as a battery metal

Incremental copper demand from Hybrids and EVs
(Mt copper)

- Electric buses
- Light duty vehicles

Source: BHP Billiton

www.explorationinsights.com
Falling inventories support Zn market

Source: Teck Resources

www.explorationinsights.com
Lithium demand growth exceptional

Lithium Demand To Electrify The World's Fleet of Vehicles By 2050 (MMt, LCE)

To electrify the world's fleet of vehicles, production needs to average 3.1 million tonnes LCE for 20 years.

3.1 million tonnes

Once global fleet of electric vehicles are built, recycling should see LCE demand fall.

Today's lithium market is only 182 k tonnes.

Source: Advantage Lithium

www.explorationinsights.com
...but supply not guaranteed

<table>
<thead>
<tr>
<th>Company</th>
<th>Type</th>
<th>Location</th>
<th>Production 2015 kt LCE</th>
<th>Capacity 2015 kt LCE</th>
<th>Availability (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SQM</td>
<td>Brine</td>
<td>Chile</td>
<td>38.7</td>
<td>48.0</td>
<td>81%</td>
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<tr>
<td>Albemarle</td>
<td>Brine</td>
<td>Chile &amp; USA</td>
<td>28.5</td>
<td>30.0</td>
<td>95%</td>
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<tr>
<td>FMC</td>
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<td>Argentina</td>
<td>17.0</td>
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<td>Orocobre</td>
<td>Brine</td>
<td>Argentina</td>
<td>1.7</td>
<td>17.5</td>
<td>10%</td>
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<td>Tibet Zabuye</td>
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<td>China</td>
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<td>6.0</td>
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<tr>
<td>Qinghai Saltlake</td>
<td>Brine</td>
<td>China</td>
<td>1.8</td>
<td>5.0</td>
<td>36%</td>
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<tr>
<td>Qinhai</td>
<td>Brine</td>
<td>China</td>
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<td>7.5</td>
<td>27%</td>
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<tr>
<td>Citic Guoan</td>
<td>Brine</td>
<td>China</td>
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<td>7.5</td>
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<tr>
<td>Talison</td>
<td>Hardrock</td>
<td>Australia</td>
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<td>95.0</td>
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<td>15.8</td>
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<tr>
<td>Bikita</td>
<td>Hardrock</td>
<td>Zimbabwe</td>
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<tr>
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<tr>
<td>Minera del Duero</td>
<td>Hardrock</td>
<td>Spain</td>
<td>0.1</td>
<td>0.4</td>
<td>25%</td>
</tr>
</tbody>
</table>

Total: 175.1  266.1  66%

Source: Hatch presentation, June 2017 and Exploration Insights

www.explorationinsights.com
What we are avoiding

- Uranium producers - Inventory overhang. Go with explorers if you are keen.

- Leveraged gold plays - ~200 million ounces of reserves written off by producers since 2012 due to lower prices. So plenty of uneconomic ounces out there already.

- Cobalt – Change in demand with battery technology. Significant by-product supply. Streamers may be good opportunities.

- Prefer lithium and copper for battery metal exposure.
In 2018 YTD, our average return is 11% ranging from down 11% to up 46%
Heavily weighted to exploration

- 25 positions in 16 companies
- Unrecognized return of ~50%
- Predominantly prospect generators and grassroots explorers
- Only 1 developer and 2 cash flowing companies
- Commodity exposures include Au, Zn, Cu and Li
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Summary & conclusions

- Greed was predominant theme for 2017
- Exploration offers high potential returns but with equally high risk profile, so do your homework
- Focus on exploration to feed project pipelines
- Au, Cu, Zn and Li (for now)
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Top picks for 2018

- **Advantage Lithium** – AAL.V – Lithium Explorer in Lithium Triangle of NW Argentina

- **Evrim Resources** – EVM.V – Prospect generator focused on North America

- **Mirasol Resources** – MRZ.V – Prospect generator focused on Chile and Argentina

- **Tinka Resources** – TK.V – Zinc explorer in Peru
Independent, unbiased and technical commentary on the junior mining sector

Brent Cook - Independent exploration analyst with over 30 years of experience in both property economics and geology evaluations.

Joe Mazumdar – Geologist (10 years), commodity analyst & trader, equity analyst (9 years), corporate dev/strategic planning (4 years)