To:	**MJG Capital Limited Partners**
From:	**Matt Geiger**
Date:	**February 1, 2016**
Subject:	**2015 Second Half Review**

Below is set forth The MJG Capital Fund, LP's performance through Dec. 31, 2015.

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6 Month Performance:

The MJG Capital Fund, LP (net of all fees and expenses)	(31.27) %
S&P 500	(0.93) %
S&P/TSX Venture Composite Index	(21.70) %

1 Year Performance:

The MJG Capital Fund, LP (net of all fees and expenses)	(44.62) %
S&P 500	(0.73) %
S&P/TSX Venture Composite Index	(24.42) %

3 Year Performance:

The MJG Capital Fund, LP (net of all fees and expenses)	(77.01) %
S&P 500	43.31 %
S&P/TSX Venture Composite Index	(56.94) %

Performance Since Inception (9/1/11):

The MJG Capital Fund, LP (net of all fees and expenses)	(83.14) %
S&P 500	67.68 %
S&P/TSX Venture Composite Index	(70.97) %

Note: All returns for MJG Capital partners are estimated and subject to the completion of an audit at a future date. The returns for each limited partner may vary depending upon the timing of their individual contributions and withdrawals.

Introduction & Partnership Update

This is The MJG Capital Fund, LP's ninth semi-annual letter. The Partnership was formed fifty-two months ago and the results are detailed on the previous page. The S&P 500 represents "the alternative investment of choice", while the S&P/TSX Venture Composite Index ("TSX Venture Index") is the closest proxy to the universe of resource equities that the Partnership selects from.

The results outlined on the previous page are undoubtedly ugly. This has not been an easy four years for myself or the Partnership's LPs. With this said, all we can do is learn from the severity of this cycle and continue to look forward. Giving up in the throes of a bear market will only compound the misery.

The opportunities currently available in the natural resource industry are astounding. In this cyclical industry, when things turn, they do so dramatically. We're talking about 300-1000% portfolio gains over 3-5 year periods. Obviously I would prefer to see these gains with the portfolio at 100 cents on the dollar. That goes without saying. But this is the position we find ourselves in.

In the meantime, as we wait for this shift, I continue to pound the table for new investors while focusing on preserving what capital we have left. Considering that many of our holdings are trading at working capital, I'm confident that the worst of this decline is very much behind the Partnership's 18 current investments.

I'm basing my investment decisions under the assumption that we'll be seeing these historically depressed commodity prices for up to 2 more years; hence the focus on acquiring quality assets with quality management teams trading very close to their cash break up value. While these names may not be among the very largest percentage gainers in the next resource upswing, we can be confident that they will maintain value for the time being while still presenting substantial upside when things do turn.

3 PORTFOLIO-RELATED GOALS FOR 2016:

1. BUY MORE TFS CORPORATION (ASX:TFC), J.G. BOSWELL (PINK:BWEL), AND MARINE HARVEST (NYSE:MHG). These happen to be our three largest "Alternative Resource Holdings" (which means that they fit the Partnership's resource mandate but are not heavily correlated to the mining cycle). Since the Partnership's inception in September 2011, TFS Corporation is up ~80%, Boswell is down ~10%, and Marine Harvest is up ~280%. Our portfolio would have performed markedly better over this period had we been more heavily weighted in these non-mining, soft commodity names.

2. BUY MORE "VALUE INVESTMENTS THAT WOULD MAKE BENJAMIN GRAHAM PROUD". This is a dorky way of saying that we are focusing on quality companies with quality assets trading near/below cash. Current Partnership holdings that fit this description include: Nevsun Resources, Solitario Exploration & Royalty Corp, and Almadex Minerals. These may not be the most highly leveraged names in the resource sphere, but they do severely limit any further downside we may see.

3. BUY MORE URANIUM + PHOSPHATE STORIES. These are two of my favorite commodities right now (alongside silver, zinc, and scandium), yet the Partnership portfolio is currently underweight uranium and phosphate-focused equities. This will change over the coming 12 months as I look to shift additional money into current holdings that are focused on these two commodities.

In this letter's *Market Outlook*, I discuss a few points of interest from the trailing six months: (a) the continuation of this 5-year commodity bear market, (b) the ongoing working capital struggles of the junior resource industry at large, and (c) the effect that lower hydrocarbon prices are having on renewable energy investment.

In the *Overview of Partnership Holdings*, I provide information on how the Partnership is allocating our resources by (1) commodity, (2) jurisdiction, and (3) operational phase. Keep in mind that we have 18 holdings (all resource-focused) at current.

I conclude by presenting this letter's *Featured Investment* (Almadex Minerals) as well as updates on companies featured in past reports (TFS Corporation, Nevsun Resources, Tsodilo Resources, and Western Lithium).

Market Outlook

Physical Commodity Prices Continue to Slide

The 5-year commodity bear market accelerated in 2015. The prices of virtually all commodities (soft or hard) saw double-digit declines. The below chart shows 3 broad-based commodity price measures: Bloomberg Commodity, UBS Bloomberg CMCI, and Reuters/Jefferies CRB. Note how they are all off by ~50% in the past 5 years.

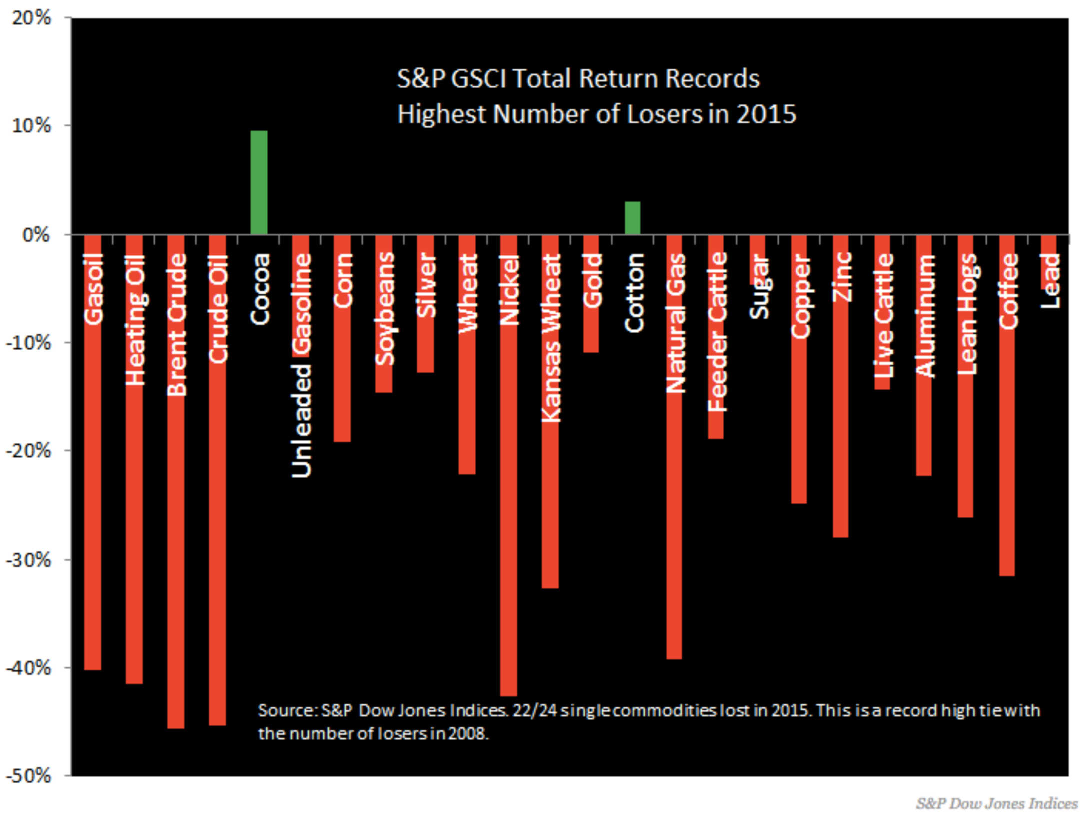
There were a few specific commodities that had remarkably bad years. The most newsworthy of course was oil – with both Brent and WTI seeing a roughly 45% drop in 2015. The prices of natural gas and heating oil saw similarly collapses, which is unsurprising considering their high correlation to oil.

Base metals were mixed – with nickel experiencing a particularly negative 12 months. Copper prices slid close to 25% in 2015; supply/demand dynamics indicate that there could be more pain ahead for the red metal. Zinc saw a similar decline but, conversely, global supply/demand dynamics look very positive for the metal.

Precious metals were also mixed – gold and silver held up relatively well, while the PGMs significantly underperformed. Interestingly, the more the metal was linked to industrial consumption (~10% for gold, ~60% for silver, ~90% for PGMs), the worse it did.

Soft commodities (referring generally to "what we eat", plus some other useful commodities that are grown such as cotton or timber) performed significantly better than metals or hydrocarbons. That said, it was still a painful year for growers– the U.S. Department of Agriculture estimates that "net farm income probably tumbled in 2015 to a 13-year low of $55.9 billion, down 55 percent from a record $123.3 billion in 2013."

Below you will find a breakdown of 2015 price performance per major commodity.



Needless to say, the prices of nearly all commodities across the board are plunging towards (and in some cases below) their respective marginal costs of production. This is what happens on a cyclical basis in this industry – where prices very rarely stay constant for long periods of time. Jeremy Grantham, one of my favorite forecasters, elaborated on this phenomenon in a recent investor letter:

"Mr. Market for commodities is a very wild dude indeed. Prices can move between the marginal cost of providing the cheapest next unit, in a glut, to whatever the most desperate marginal user is willing to pay in a shortage. There is no moral equivalency to that in the stock market. Stock experts may say "greed and fear" (or greed and outright panic), and it's true that these impulses have impressively influenced the stock market on occasion, but these passions can also apply to commodities, exacerbating their unique sensitivities to imbalances in supply and demand. Commodities can also

involve storage of the asset and attempts to corner the market – rather archaic these days in stocks. Most critically, politics, both local and global, can play a much bigger role in commodities, especially oil, than for stocks as we are seeing once again."

I expect commodity prices to recover over the next 1-4 years – with different subsets recovering at different times. Uranium and precious metals in particular have suffered the longest bear markets in terms of duration – one would expect them to move soonest. Conversely, oil and natural gas have seen the brunt of their decline only within the past 18 months or so. These markets might take longer to work through supply/demand imbalances.

When prices recover, and there is no doubt that they will recover, it will happen for the following two reasons:

(1) increased demand, as today you can buy 2x more "stuff" for the same amount of money versus 2011

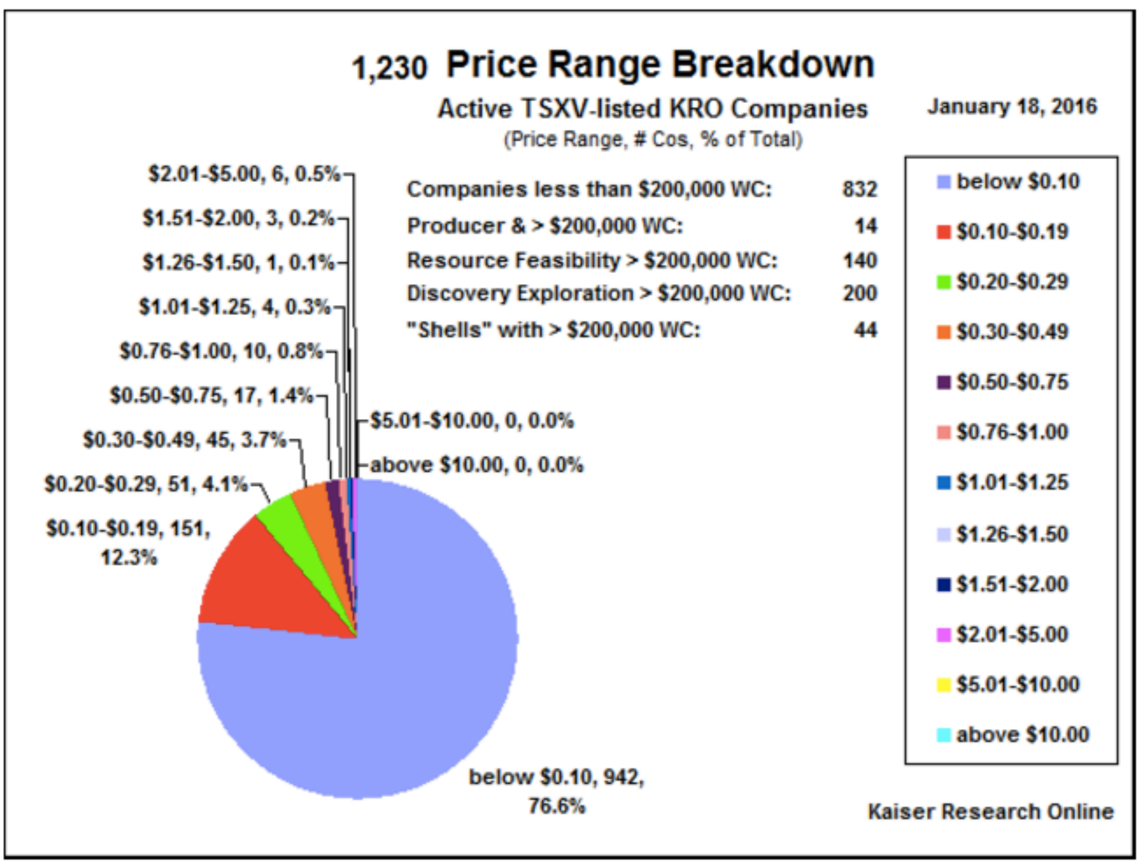
(2) decreased supply, as more than 50% of producers are underwater at current prices for many of these commodities

Given the dynamics of this particular bear market (slowing global economic growth, high debt levels amongst many of the world's largest producers, the large number of marginal mines that were brought online in the preceding bull market, etc), it is likely that supply destruction will be the main catalyst for the next recovery in commodity prices. That said, there are still some bright areas of demand growth – one example is the continued renewable + nuclear boom, which I'll be discussing later on in this *Market Outlook.*

The Junior Resource Market At Large Is In Terrible Shape

In light of the above information, it is unsurprising that 2015 was an ugly year for junior resource companies - with the TSX Venture Exchange falling another 20%+ percent (see chart below). As a quick refresher, junior companies can be thought of as "pre-revenue start ups" that are either exploring or developing a mineral property that they hope can become a cash-producing asset. Characteristically these companies will have (a) a smaller working capital position and (b) a high burn rate, as exploring/developing is extremely capital intensive. Juniors can absolutely thrive in an environment of rising commodity prices but, when markets turn and funding dries up, things get ugly for everyone across the space. Even the highest quality companies are not spared the share price carnage; that is why there is always opportunity when the going gets tough.

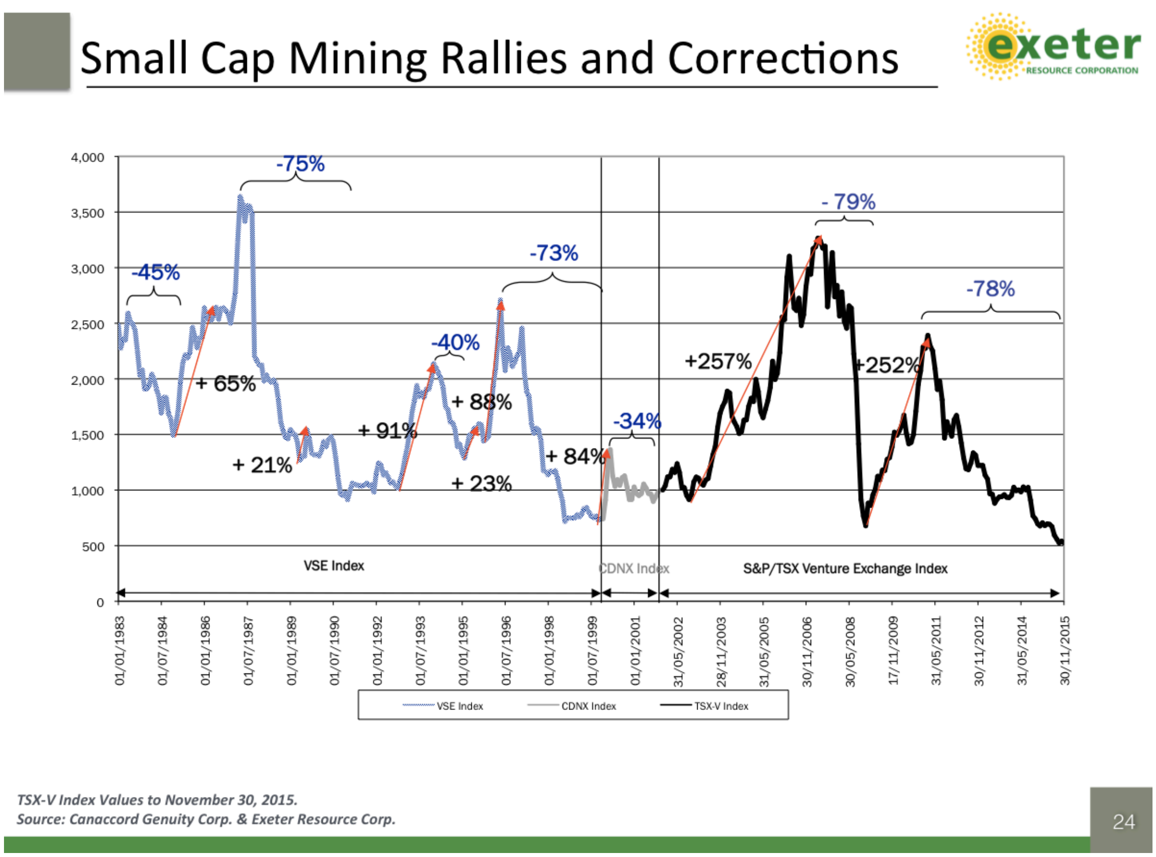
Working capital is the lifeblood of the junior resource industry. Properly conducted mineral exploration/development is expensive, plus management has to be paid and the lights have to be kept on. That is why the overall state of the junior market is so bleak right now. As you can see in the below chart (courtesy of John Kaiser), roughly 70% of TSXV-listed companies have a working capital position below $200k CAD.



This tells me that at least 70% of the industry is merely treading water – paying management salaries and other G&A expenses, but creating no value whatsoever for shareholders. Investors should not touch these companies. This is also the reason why TSXV index funds are never smart investments.

All this said, there are exceptions where the baby is being thrown out with the bathwater. There are a select few companies that DO have sufficient working capital to continue advancing their projects. For some context, of our 18 current holdings, none have a working capital balance below $200k CAD, and only three have a working capital balance of less than $2m CAD.

These companies can enjoy the following benefits of exploring/developing in a bear market: (1) talent, equipment, and even fuel is very cheap right now, (2) high quality properties can be acquired for pennies on the dollar, and (3) successful stories stand out as there is much less "noise". In these environments, it is a delicate balancing act between making progress and minimizing share dilution. Those that are successful however will be amongst the biggest winners of the next bull market.



I found the above chart (provided by Exeter Resources) to be very informative. There is of course some discrepancy on when past bear markets ended and new bull markets began (as an example, Rick Rule considers 1983-1991 to be a continuous bear market; the chart below breaks it into two distinct ones.) Semantics aside, this current down cycle has clearly been one of the steepest and possibly the longest lasting that we've seen in the past 3 decades.

This will probably last for another 12-24 months. There are still a substantial number of zombie companies that need to be purged, and also no sign of a broad based rise in physical commodity prices in the near term. That said, we can take comfort in the fact that the severity/duration of this current bear market implies the eventual bull market will be both powerful and sustained.

Booming Renewable Energy Investment Despite Plunging Hydrocarbon Prices

Sources of renewable energy include solar energy, wind energy, hydropower, geothermal energy, and biomass energy. One trait shared by all of these processes is that no CO2 is emitted during power generation. I personally like to lump nuclear power into this category, as nuclear generation also emits zero CO2 and the fates of the nuclear/renewable industries are very much intertwined. Just look to China as an anecdote – where the government is trying tremendously hard to limit the burning of coal, while ramping up investments in both nuclear and renewables dramatically. Many of the figures you will see below exclude nuclear investment, but keep in mind that nuclear and renewables are highly correlated for the time being.

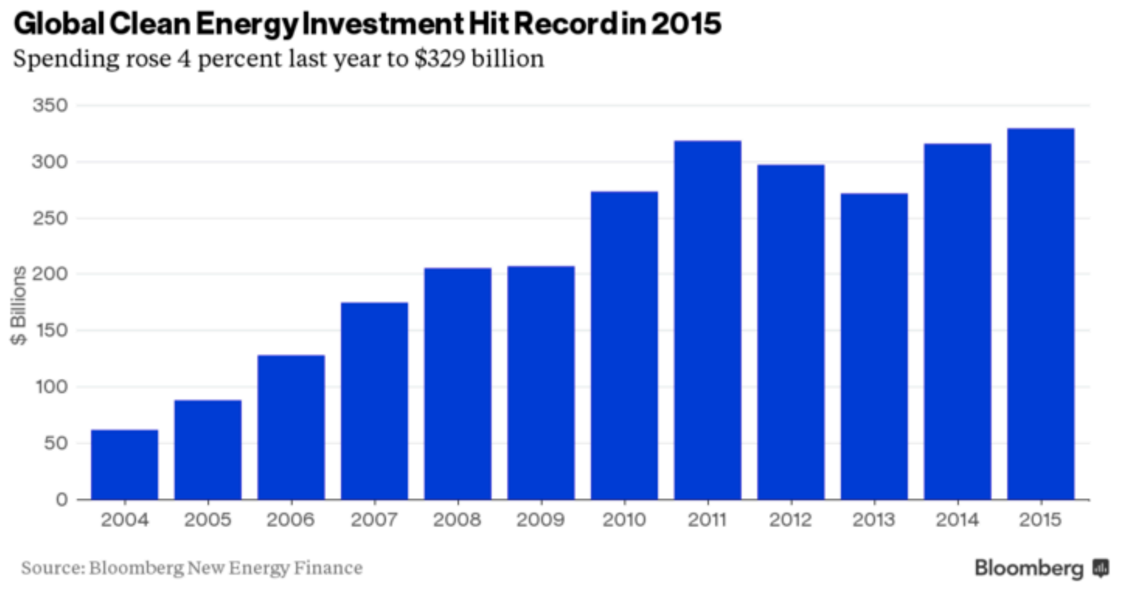
Historically, there has been a strong inverse relationship between the price of oil and the rate of renewable energy investment globally. Despite the fact that less than 5% of the world's electricity is derived from oil, this makes sense considering that natural gas and coal (which collectively generate ~60% of the world's electricity) are highly correlated to the price of oil. Below you will find 5-year charts for all three of these hydrocarbons. Note that each has seen a 40%+ drop over this period.

WTI Crude Oil

Natural Gas

Thermal Coal

Despite the plunging prices of hydrocarbons, this time around we have not seen a corresponding decline in clean energy investment. In fact, global clean energy spending hit a record in 2015 with $329 billion deployed over the course of the year. The chart below demonstrates how spending on renewables has held up in this low-priced hydrocarbon environment.

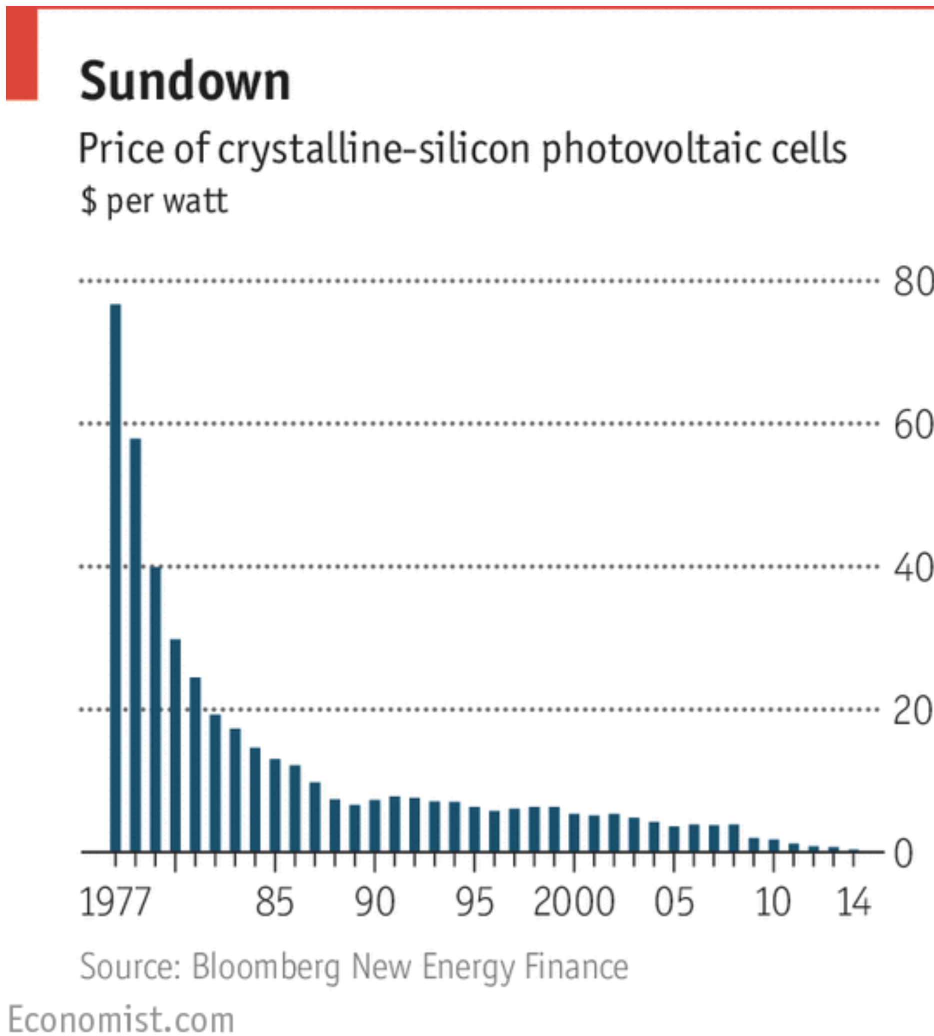


This divergence from the historical norm highlights 2 different phenomenona: (1) the rapidly improving cost-competitiveness of wind/solar energy and (2) the crackdown on coal power generation by national governments.

Regarding the first point, wind and solar are the two most significant forms of renewable energy – with roughly 50% of renewable spending falling into one of these two categories. McKinsey recently described the dramatic increases in efficiency we are seeing with new renewable installations:

"In 2011, when annual global investment in renewables peaked at $279 billion, 70 gigawatts were installed. In 2014, almost 40 percent more (95 gigawatts) was installed, though investment was slightly lower, at $270 billion. In that comparison lies the most important reason that renewables have held their own, and then some, even as the oil price fell so drastically. To put it simply, renewables are getting cheaper all the time. Moreover, most regulatory supports, such as portfolio standards, tax credits, and feed-in tariffs, remain in place. These do protect the sector to some degree, but the larger story is that of fast-increasing competitiveness."

The below chart (courtesy of the Economist) tells the same story from a longer-term perspective. Note the substantial decrease in price that we've seen in just the last five years!



Interestingly, it is widely accepted by experts that on a global basis solar energy is now more competitive than wind. This was not the case ten years ago. According to the Economist:

"Wind used to be the cheapest, but solar is now overtaking it in most markets. That trend will continue. Almost any external surface can generate solar electricity, and costs are plummeting (not just for the silicon wafers, but also for installation, electronics and storage needed to make the system work). Wind energy is getting cheaper too, with taller windmills erected more cheaply—but the potential gains are less dramatic."

Let's move on to the second phenomenon. The crackdown on coal is harder to quantify, but the signs are everywhere. I've provided below three examples from 2015:

1. With the Paris agreement in December, the entire world (all 195 countries) agreed to surprisingly ambitious CO2 targets. This is massive news for the

renewable and nuclear industries – with the New York Times stating that "the deal could be viewed as a signal to global financial and energy markets, triggering a fundamental shift away from investment in coal, oil and gas as primary energy sources toward zero-carbon energy sources like wind, solar and nuclear power."

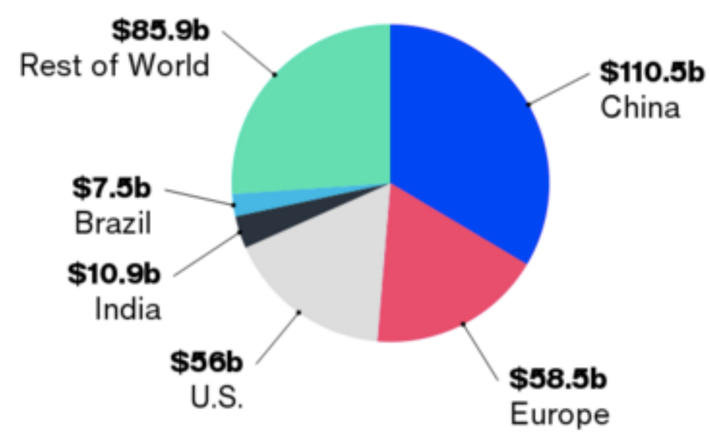
2. In the United States, just within the past few weeks, the Obama administration placed a moratorium on new coal leases on federal land. This news was cheered by the renewable/nuclear lobbies, while decried by those involved with fossil fuels. Could the same thing happen to federal oil and natural gas leases at some point?

3. The daily pollution seen in cities like Beijing and New Delhi, though tragic, is fantastic PR material for proponents of renewable energy (and of course investors in renewable energy or its material inputs). This is both a political embarrassment and national health worry that has the full attention of the respective national governments. The spike in renewable expenditures seen in both China and India over the past 5 years is a direct result of this very visible problem.

As a final perspective, below you will find a breakdown of global clean tech spending in 2015. It is important to note that it was only in 2013 when China passed Europe as the global leader. Look at the disparity now.

Renewable investment grew by 23% YOY in India, and 17% in China (BNEF). These are massive numbers and there is no sign of an imminent slowdown for either of these players.

China Dominated Renewable Energy Investment in 2015



Source: Bloomberg New Energy Finance

These macro trends are undeniably good news for the Partnership. We love "clean energy metals", which are basically the materials that make renewable/nuclear power generation possible. In fact, as you will see in the following section, over

40% of our weighted portfolio is exposed to these materials. More specifically, we own companies focused on the following:

- Uranium, the key nuclear power input
- Scandium, an energy efficiency metal + irreplaceable component of solid oxide fuel cells
- Silver, a key material in photovoltaic solar cells
- Lithium, a key input into the lithium-ion battery
- PGMs, a key input into catalytic converters

The demand-side boom outlined above has yet to be reflected in the prices of these metals. I anticipate that to change dramatically in the medium to long term; 17% YOY growth from the world's largest player in clean energy investment is just too large to ignore!

Overview of Partnership Holdings

Below is a breakdown of the Partnership's holdings as of January 15, 2016. The Partnership is exposed to different commodities, different jurisdictions, and different stages of the development cycle.

The Partnership continues to accumulate "Alternative Resource Holdings", indicated in the below chart with asterisks. These holdings are resource-focused yet minimally correlated to the mining cycle. My target is for a minimum of 30% of our weighted holdings to fall into this category, which should reduce the volatility of the overall portfolio.

Allocation By Primary Commodity	
Food & Water	
Aquaculture*	10%
Agriculture* (with abundant water rights)	6%
Phosphate	6%
Wood Products	
Sandalwood*	8%
Clean Energy Metals	
Silver	18%
Scandium	15%
Uranium	5%
Lithium	3%
Platinum Group Metals	2%
Infrastructure Metals	
Copper	18%
Zinc	6%
Cash (USD)	3%

*** Signifies minimal correlation to the "Mining Cycle"**

Allocation By Country (Flagship Project/Operation)	
Australia	23%
Canada	14%
United States	11%
Mexico	10%
Norway	10%
Eritrea	9%
Argentina	8%
Peru	6%
Serbia	2%
South Africa	2%
Ecuador	2%
Cash (USD)	3%

Allocation By Operational Phase	
Exploration	13%
Development	41%
Production	43%
Cash (USD)	3%

Featured Investment: Almadex Minerals (CVE:AMZ)

Almadex Minerals is a prospect generator and royalty company. The company has a large footprint across Mexico, Nevada, and British Columbia – with over 20 properties that are either fully or jointly owned. Almadex also owns over a dozen royalties. Three of these are on properties that have already seen a PEA. Management has decades of collective experience in these very jurisdictions.

Despite this, Almadex's market capitalization is currently equal to the company's working capital position. They have no debt. This tells me that AMZ shares currently offer exceptional upside over the next 2-3 years with surprisingly little risk. These are the two characteristics seen in classic value investments.

The Partnership has held AMZ shares for only a few months, with an average cost of $0.16 CAD per share. As of January 15th, Almadex was trading at $0.17 CAD.

In this *Featured Investment* piece, I start by providing a background on the "prospect generator" business model.

I then present my investment thesis for Almadex Minerals, covering the company's history, management team, current assets, expected milestones, and upside as an investment.

I conclude with a comment on the company's Margin of Safety. (Hint: Ben Graham would approve of this investment.)

What is a Prospect Generator?

In past Featured Investments, I would at this point detail the supply/demand dynamics of the commodity most relevant to the investment. However, since Almadex is a prospect generator and the owner of multiple royalty interests, the company has exposure to different metals over dozens of properties (with the three most significant metals being silver, gold, and copper). Instead of detailing the fundamentals for each of these three metals, I will instead explain the prospect generation business model for those unfamiliar with mineral exploration.

Many mineral explorers will stake a single promising mineral property and then drill exploratory holes until one of two things happen: (1) they get lucky and hit a discovery hole or (2) the company runs out of cash. This is great news for those that get lucky, but it's well documented that less than 1% of true grassroots explorers will ever come across an economic mineral deposit. These are long odds to say the least.

There is another approach however and that is the prospect generator model. In short, prospect generators maintain a large portfolio of grassroots properties and then create joint venture partnerships with other firms. These 3rd party firms (who are usually larger and more established than the prospect generator) then spend their own money and time advancing the project in exchange for a majority ownership position. Below you will find the basic process that successful prospect generators follow:

1. Stake prospective mineral licenses (or acquire early stage projects for pennies on the dollar, particularly in times like these).

2. Partake in early stage exploration work, sometimes without drilling a single hole (drilling is expensive after all).

3. Package/market your projects to larger players that may be interested in (a) the jurisdiction, (b) the target commodity, or (c) the geological story.

4. Sit back and watch the partner spend money on your behalf.

In a best-case scenario, the project reaches production over the next 5-10 years and you get to keep a chunk of the proceeds to yourself.

In a worst-case scenario, the partner spends millions of their own money only to decide that they are no longer interested in the JV partnership. They then return the project to you, which can be explored further or optioned to another party.

5. Reinvest working capital into new grassroots properties and repeat the process.

Courtesy of Sprott's Mishka Vom Dorp, you will find below four benefits that prospect generators enjoy relative to their "single-story" counterparts:

1. The risks are spread across multiple projects.

2. The lower "burn rate" can mean less dilution. More specifically, the company's G&A expenses are spread over dozens of projects versus only 1.

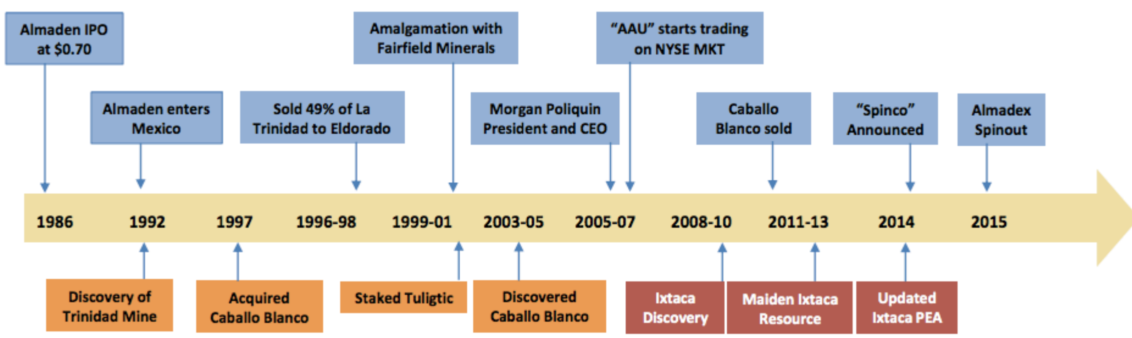
3. This model relies on intellectual capital, which gains value with time. In essence, prospect generation is all about "leveraging intellectual capital with other people's money."

4. There are past success stories to lean on. Generally these types of companies will see less upside in the euphoric stage of bull markets, but much more staying power/preservation of value when the going gets tough.

There is really only 1 downside to the prospect generator model - you don't get to keep the entire project to yourself! (Generally if you sign a JV and the partner finds something that ends up turning into a mine, you will only get to keep 10-30% of the project that you once fully owned.) That said, mineral deposits can be worth hundreds of millions if not billions of dollars. Even a small sliver of ownership in a sizeable deposit can result in a tenfold return for early shareholders.

Investment Thesis

Almadex Minerals is a very recent spin off – the company itself has only been around since August 2015. However, this story begins decades before when Duane Poliquin (Almadex's Founder and Chairman) launched a prospect generator by the name of Almaden Minerals in 1986. The trajectory of the Almaden outfit can be seen in the timeline below.



I'd like to highlight two of the above milestones that are particularly relevant to Almadex shareholders. The first is the involvement of Morgan Poliquin (Duane's son) in Almaden's operations - culminating with his promotion to President and CEO in 2006. Between the two of them, the Poliquins have an exceptionally rich background in grassroots mineral exploration and are respected across the industry. In fact, the pair recently won the 2014 Colin Spence Award for Excellence in Global Mineral Exploration from AME – BC.

The second major milestone is Almaden's discovery of the Ixtaca Deposit (which has since seen the release of both a Maiden Resource and an economic PEA.) With both a modest initial capex and an impressive after-tax IRR using current gold/silver prices, Ixtaca is a promising project with near term production potential. Seeing this, in mid-2014 the Poliquin's announced their decision to isolate Ixtaca within Almaden while spinning out all other properties into a second vehicle (Almadex). The reasoning for this was twofold: (1) isolating Ixtaca into its own vehicle facilitates future M&A and (2) investors can now buy either a pure play development project or a pure prospect generator, depending on their profile.

Sure enough, the spinoff of ALL ALMADEN ASSETS ASIDE FROM IXTACA was completed in Q3 of this year – with Morgan Poliquin taking the helm as Almadex's CEO. This explains the company's somewhat eclectic collection of grassroots properties, royalty interests, equity interests, gold bullion, and cash. Almadex even has 5-company owned drill rigs. These are the very assets that Duane/Morgan spent nearly three decades collecting on behalf of Almaden.

Provided above is an overview of Almadex's various holdings across North America. As is the case with most mineral exploration experts, the Poliquins have made their living working in a distinct mineral jurisdiction (North America in this case). This is particularly true in Mexico –I can't think of a single junior outfit currently working in Mexico with more collective experience than Almadex. As we know, mineral exploration has everything to do with Intellectual Property – and currently the market is valuing the Poliquin's IP at zero. This does not make sense to me.

On top of this, the market is also assigning no value to Almadex's collection of 20+ properties and a 12+ royalty interests. It is true that the majority of these properties and royalty interests WILL NOT end up creating any value for the company. That's just the way things work in the grassroots exploration industry. That said, I'm willing to hazard a bet that somewhere within their portfolio there is another Ixtaca waiting to be found. Even if this took years, this would be a boon for shareholders as the current value of Ixtaca (approximated by Almaden's Enterprise Value) is currently 10x the market cap of Almadex.

Even without the discovery of another "Ixtaca" (which sports an NPV close to $200m CAD), I expect Almadex to create value on multiple fronts going forward. Below you will find brief descriptions of their 5 most promising properties, followed by their 3 most significant royalty interests.

El Cobre Property – El Cobre is a large copper-gold porphyry system located in Veracruz State, Mexico. The company has already run Magnetic, IP, and soil surveys at El Cobre – yielding positive results. The company also has done some early stage exploratory drilling, which resulted in the following intercepts of note: 48.8m @ 1.2 g/t Au and 0.12% Cu, 80.0m @ 0.6 g/t Au and 0.24% Cu, 41.2m @ 0.4 g/t Au and 0.27% Cu. While I would hesitate calling these true "discovery holes", additional drilling is absolutely justified. Villa Rica, the largest target on the property, has yet to be tested.

Los Venados Property – Los Venados is a prospective gold property located in Sonora State, Mexico. This could be defined as an area play – the land package is located in between two producing gold mines (Agnico Eagle's La India and Alamos Gold's Mulatos). Needless to say, the Los Venados land package exhibits the same high-sulphidation epithermal alterations found on the producing properties.

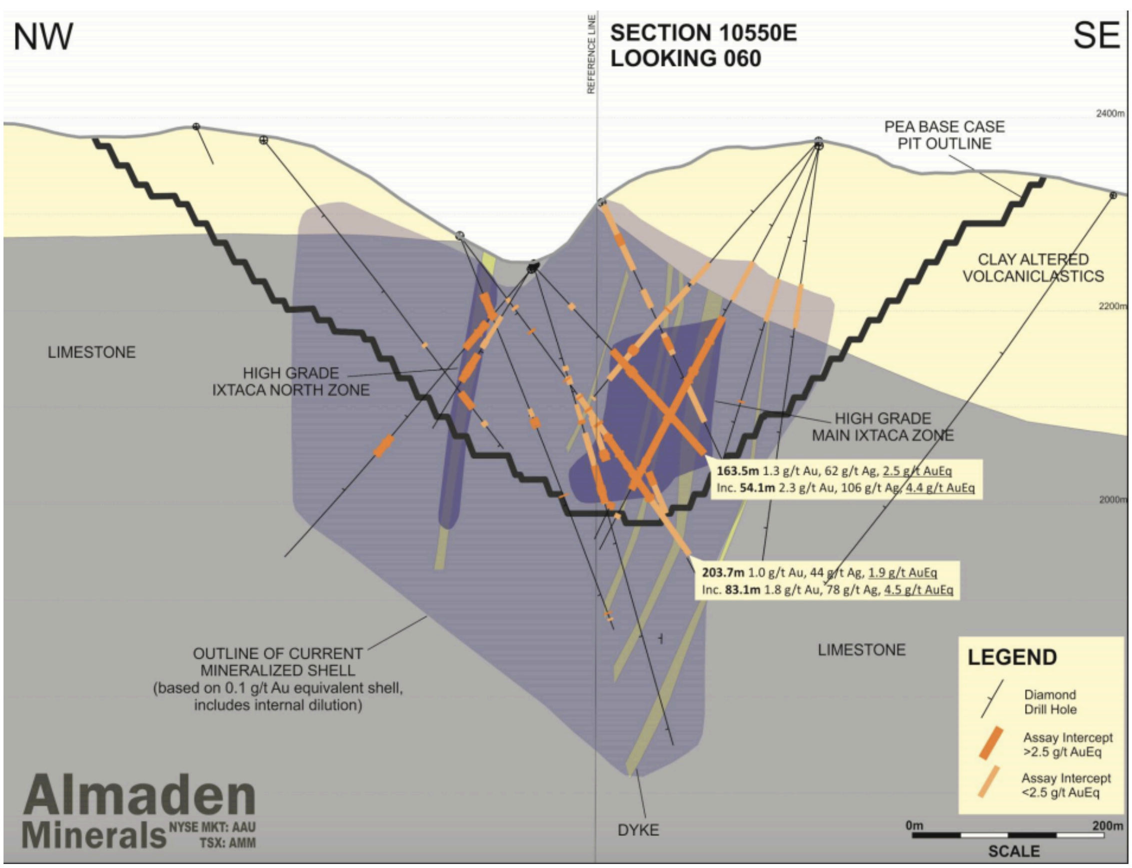
Willow Property – Willow is located within an established copper district in mining-friendly Nevada (Anaconda Copper's historic Yerington Pit is located within 20 kilometers). The property has seen previous work, including sampling, geophysics, and even some drilling (by Conoco in the 1970's). That said, previous geologists who worked at this property were looking for a flat-lying porphyry similar to Yerington. Almadex's team has reinterpreted the model to be a preserved porphyry lithocap with the potential for economic copper, gold, and molybdenum mineralization.

Caldera/El Chato Properties – These two properties are in close proximity to each other in Puebla State, Mexico. Both projects are new Caballo Blanco-like gold systems located 150km west of Caballo Blanco. (For some quick context, the Poliquins discovered Caballo Blanco in 2004. This project will be discussed in more detail shortly, as Almadex owns a royalty interest on Caballo.) Both Caldera and El

Chato have defined targets ready to be drilled, as IP and soil surveys have been conducted on both properties.

El Encuentro Property – El Encuentro is located 10km from McEwen Mining's El Gallo Mine in Sinaloa State, Mexico. The project saw significant precious metal values from surface sampling conducted in the mid -1990's, but no follow up work was pursued.

2% NSR Royalty @ Ixtaca Project – Despite the fact that Almaden kept full ownership of the Ixtaca Project after the spin out, Almadex holds a 2% NSR Royalty on future Ixtaca production. This is by far Almadex's most promising royalty interest. (For those unfamiliar with royalties, "NSR" means net revenue minus transportation/refining costs. A 2% NSR royalty means that Almadex is entitled to 2% of Ixtaca's future net revenue, if/when that occurs.) In December 2015, Almaden announced a promising Ixtaca PEA. The PEA looks economic, even at current metal prices, as (a) post-tax NPV > initial capex, (b) after-tax IRR is 30%, and (c) project payback is less than 3 years. These numbers tell me that Ixtaca will reach commercial production in the medium term, potentially before 2020. Once this occurs, Almadex's NSR Royalty will in essence become an annuity that lasts for a minimum of 13 years. This certainly is not factored into the share price at current. A cross-section of Ixtaca can be seen below; note the 203m intercept @ 1.9 g/t AuEq.



1.5% NSR @ Caballo Blanco Project – Almadex holds a royalty interest on the Caballo Blanco Project, which has also seen a PEA. This is an open pit, heap leach gold project currently owned by Timmins Gold. Despite the fact that a 2012 PEA estimated Caballo Blanco to have a 37.5% IRR @ $1200 Au, I consider this to be a marginal deposit that won't be put into production until gold is north of ~$1500. This is ok considering that Almadex's assets aren't being assigned any value by the market anyway; investors should view the Caballo Blanco NSR as a free call option on higher gold prices.

2% NSR @ Elk Project – Almadex also holds a royalty interest on the small Elk Project based in southern British Columbia. This project also saw a PEA in the recent past – detailing a $17m USD mine with a pre-tax IRR of 44% at $1200 Au. Even with the impressive IRR, I view the Elk Project similarly to Caballo Blanco – this mine will not likely be built until gold is above $1500 for a sustained period of time.

Unlike many of its peers, Almadex has ambitious plans to advance its portfolio of properties in 2016. Almadex can initiate exploration drilling quickly and cheaply – the company has a full technical team in-house and owns five drill rigs. Below you will find expected company milestones for the coming 12 months:

1. ***First drill results @ El Cobre in Q1 2016***

2. ***Release of PFS @ Ixtaca in Q2 2016***

3. ***Release of FS @ Ixtaca in Q4 2016***

4. ***First drill results for at least 2 of the following properties in Q4 2016:***
    - ***Los Venados***
    - ***Willow***
    - ***Caldera/El Chato***
    - ***El Encuentro***

This is a lot of work. But the more impressive part is that, even with the busy year outlined above, Morgan Poliquin has assured me that the company will not burn through more than $1.5m CAD in 2016. Some junior companies continue to spend more than this on an annual basis solely on G&A! If the company is able to stick to this number, it will be a special display of both capital discipline and efficiency.

We were able to purchase our Almadex shares at an average cost of $0.16 CAD. Given the 44m shares outstanding, this implies a market capitalization of $7m CAD. Meanwhile, the company at current has between $6.5-7m CAD in working capital (which is broken down in greater detail in the following section).

The market is currently assigning zero value to (a) Almadex's grassroots assets, (b) Almadex's royalty collection, and (c) the IP that the Poliquin's have developed through decades of exploration, particularly in Mexico. This doesn't make any sense to me, which is why I'm buying the stock. The Poliquin's clearly disagree with this assessment as well; otherwise they wouldn't be embarking on the aggressive 2016 exploration program outlined above.

At the moment, it is nearly impossible to predict the appropriate "fair value" for Almadex shares. We know that in a best case scenario the company is sitting on another Ixtaca. If this were indeed the case, shares would be worth at least 10x more than they are at current. This can be inferred simply by looking at Almaden's current Enterprise Value of ~$60m CAD (remember that Ixtaca is Almaden's only asset).

But even without this ideal outcome, the company has a tremendous opportunity to create value across its portfolio of assets. And considering that the stock is priced for a worst-case scenario, any unexpected value creation over the coming years equals pure upside for shareholders.

Remember, mineral exploration is a very risky business with potentially massive rewards. In this case however, you can participate in the upside while knowing that your risk is limited at current share prices. This combination of low risk/high reward is available only in the very depths of bear markets –I don't expect it to remain this way for long.

Margin of Safety

Almadex has roughly $6.5m CAD in working capital – through an assortment of cash, gold bullion, and equity investments. More precisely, the company owns:

~$3m CAD in cash

~$1m CAD in equity investments (Gold Mountain Mining Corp + Alianza Minerals)

~$2.5m CAD in gold bullion (1597 ounces)

Given Almadex's current share price, the ratio between working capital and market capitalization is nearly 1:1. This implies that downside is severely limited as it is very rare for a debt-free company to trade below its working capital balance. Particularly if you want to preserve capital, you can't go wrong as an investor buying well-managed companies trading at these levels.

There is an additional aspect of safety for Almadex shareholders. One of the many pernicious "bear market evils" is excessive dilution, where companies are forced to raise capital at dramatically lower valuations. If one can at all help it, equity raises should be avoided at all costs in the depths of bear markets.

Fortunately, in the case of Almadex, the company has a runway of over 48 months at their current burn rate ($1.5m CAD annually). While I do expect the company to raise money sometime during these upcoming four years, management won't be forced to do so until the AMZ share price is substantially higher. This is a huge advantage over the vast majority of Almadex's peers, who either have a negative working capital balance or a runway of less than 12 months. Almadex will be able to conduct future raises on its own terms.

As a final point, the Poliquins are mineral exploration experts who have persisted through multiple bear cycles (including 1988-1992, 1998-2002, and 2008-2009). They understand just as well as anyone that there is no better time to be searching for minerals than when (a) competition is at a minimum and (b) expenses are low. Given this experience, I trust that Almadex will be able to produce tangible progress on a project-level over the remainder of this down cycle.

Past Featured Investments

TFS Corporation (ASX:TFC)

Featured In: **July 2015**
Partnership Average Cost per Share: **$1.86 AUD**
Current Market Price (January 15, 2016): **$1.52 AUD**

TFS Corporation was the Partnership's featured investment in July 2015. The company remains my favorite forestry pick –I see deep value with minimal downside risk. In H2 2015, the company reported the following significant events: (a) three new additions to the company's already impressive stakeholder base, (b) stellar earnings from the trailing 12 months, and (c) distribution of the company's annual dividend payment.

It is well documented that Harvard, the Church of England, and at least one Middle Eastern sovereign wealth fund have invested either alongside TFS or directly into the company. (Remember that while TFS directly owns ~4k hectares of sandalwood plantations, they also manage over ~6k hectares for institutional/high net worth clients. This speaks to their deep knowledge and experience in this field.) Within the past 6 months, we've seen 3 new institutions become substantial TFS shareholders through common share purchases on the open market. First, in early July, a T. Rowe Price fund took a 5% stake in TFS shares. Less than a month later, seven separate Merrill Lynch funds became involved – for a collective 5% stake. More recently in Q4, nine UBS-affiliated funds have taken a collective 5% TFS position. While these transactions have yet to spur a major rise in TFS's share price, it is encouraging to see shares consolidating into stronger hands. This will continue into 2016.

On August 31st, TFS reported earnings for the trailing 12 months (the company's fiscal year ends on June 30th). These earnings reiterated the immense opportunity presented by TFS shares at current prices. From a valuation standpoint, the company is very cheap – with a P/E multiple of ~4.8 at current. That said, the majority of earnings were non-cash (i.e. increased valuations of the company's biological assets due to the continued rise in sandalwood prices); TFS's cash EBITDA multiple is higher at ~17. While this number does not look as enticing, it is still impressive given that every year TFS invests a significant percentage of its earnings into new plantations. For some perspective, the company hopes to have 25k hectares under management/direct ownership by 2025 (versus a current total of 10k hectares). Over this period, near term cash earnings will be depressed as the company pursues longer-term value. This may deter investors with shorter time horizons, but this is exactly what the Partnership wants to see.

Another development was the distribution of TFS's once annual dividend payment in early October. This is the third year in a row in which we saw a $0.03 AUD distribution – implying an annual divided yield of 2% at current share prices. While there are bigger yields out there, 2% isn't something to scoff at in today's low interest rate environment. I fully expect the company to maintain this distribution going forward and, considering that TFS's next harvest will be its biggest yet, wouldn't be surprised to see it increased in either 2016 or 2017.

Looking forward to H1 2016, there are two main milestones of note. The first involves the continued planting of additional hectares of Sandalwood (some of these additional trees will be directly owned by TFS; some will be planted on behalf of the company's institutional clients). More specifically, the company anticipates that over 1500 new hectares will be planted in the period between June 2015 and June 2016. We will know whether this goal is hit when TFS reports FY earnings in August 2016. Secondly, the company is expected to announce long-term supply agreements with both Chinese and Middle Eastern customers within the next 6 months. The successful completion of these agreements would boost market confidence in TFS's business and potentially provide more clarity on market prices on Indian Sandalwood (it's unclear whether the agreed upon price will be publicly disclosed).

In sum, the opportunity still exists to buy TFS shares on the cheap. For those with longer-term time horizons, TFS shares offer compelling upside with minimal risk. (Keep in mind that the company's current market capitalization is roughly 10% below the value of TFS's net assets – implying very limited downside.) The market clearly doubts the credibility of TFS's core plantation ownership/management business. Continued operational execution and consistent dividend payments will slowly change this sentiment going forward.

Nevsun Resources (NYSE:NSU)

Featured In: **January 2015**
Partnership Average Cost per Share: **$3.07 USD**
Current Market Price (January 15, 2016): **$2.33 USD**

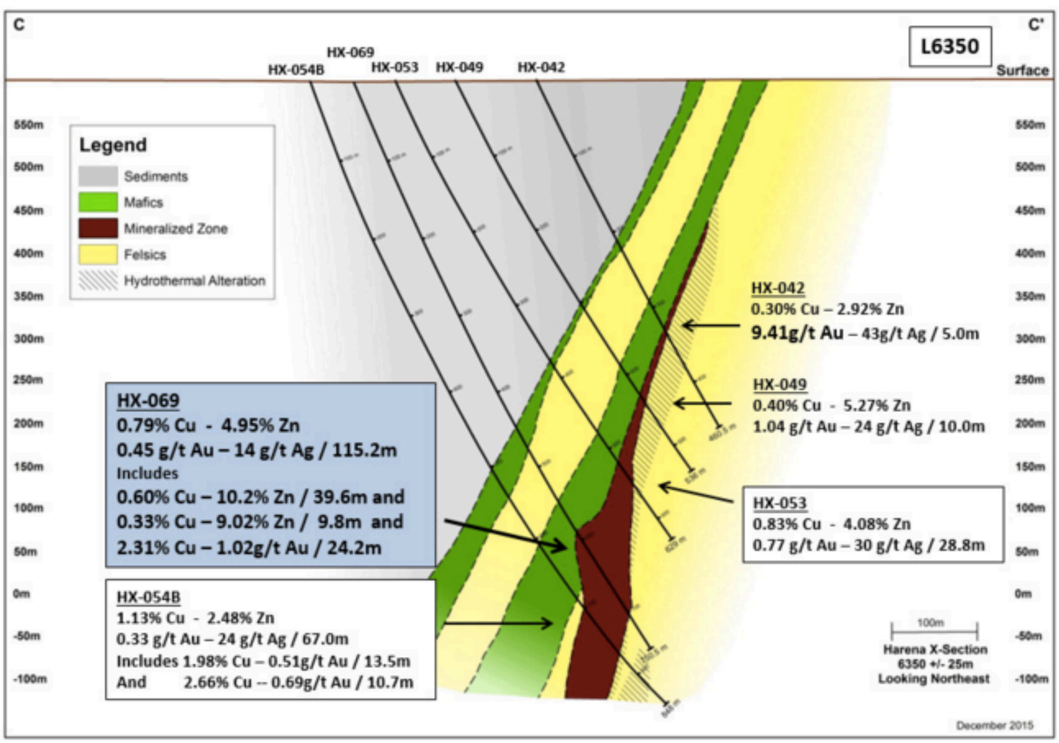
Nevsun was the Partnership's featured investment in January 2015. The company remains one of the lowest risk base metal plays available, despite the painful share performance over the trailing 6 months. I met with management in mid-November and remain very positive on this story. We have lowered our average cost per share from $3.55 USD to $3.07 USD since I last wrote about the name.

Over the past 6 months, the company has reported the following milestones of note: (a) positive cash flow in Q3 despite the plunging copper price, (b) continued distribution of NSU's $0.04 quarterly dividend, and (c) the best results at Harena to date.

Nevsun reported its Q3 results in late October. Despite major weakness in the copper price and the company's continued zinc expansion (it's likely that NSU spent at least $10m in sustaining capital expenditures in Q3), the company reported positive free cash flow of $2.8m. While this number pales in comparison to previous results ($19.2m in free cash flow in Q2 2015 for instance), it speaks to the company's "lowest quartile" opex – thanks to Bisha's extremely high copper grades. The company reported a head grade of 3.8% copper in Q3, which is one of the highest globally among copper producers.

As expected, Nevsun distributed a total of $0.08 USD to shareholders in H2 2015. The company has now paid a dividend of at least $0.04 for the previous nine quarters. As the company has nearly $500m in working capital and is still making money, I fully expect the company to maintain this dividend for the foreseeable future. At current share prices, NSU is yielding a whopping 7% on an annual basis. I expect non-mining, dividend-focused investors to begin snapping up NSU shares due to this outsized yield.

Figure 5. Harena Section L6350



Nevsun continued to report positive results at its Harena satellite deposit (see above). In early December, the company released its most impressive individual intersection to date– Hole HX-069 yielding 0.79% copper, 4.95% zinc, 0.45 g/t gold, and 14 g/t silver over 115.2m. This massive hit got me excited enough to ask management if Harena could become a standalone operation. Alas, this will not be the case – instead this satellite deposit will be used as high grade feed for the existing operations at Bisha. These results confirm that Harena is substantial enough to add years and years to Bisha's Mine Life.

Looking forward to 2016, I'm expecting two major events. The first is the commissioning of Nevsun's zinc circuit by the end of Q2 2016. Once the operation gets going at full capacity, just over half of Bisha's cash flow will come from zinc production. This will be a major milestone for the company as the expansion is an \$80m project that has spanned over the past two years.

The second event involves Nevsun's treasure trove of \$430m in cash. While there is no hard deadline for the company, I fully expect one of the following two outcomes in the next 12 months – (a) an opportunistic acquisition of a low-cost copper operation to complement Bisha or (b) the distribution of a large special dividend. Either of these events would be a welcome development for shareholders, as it's time for the company to put this outsized cash position to work in one form or another.

Nevsun has very minimal downside at current share prices. Sure enough, the company's market capitalization of~\$485m USD is now below its working capital balance of \$489m (last reported in Oct. 2015)! This means that you get Bisha, Harena, and management's operational expertise in Eritrea all for free. It is clear that this stock is drastically mispriced, as Bisha is a fantastic asset that will continue to generate free cash flow even with depressed metal prices. Nevsun remains one of the best value investments currently available in the mining space.

Tsodilo Resources Ltd (CVE:TSD) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **July 2014**
Partnership Average Cost per Share: **\$0.86 CAD**
Exit Price: **\$0.71 CAD**

In Q4 2015, the Partnership liquidated its stake in Tsodilo Resources. We ended up losing 17% on this position, which we held for roughly 4 years (first TSD purchase was in late 2011). While the loss is regrettable, we know from experience that the vast majority of junior mineral explorers did significantly worse over the same period. So in some ways I feel fortunate, despite the fact that Tsodilo's fortunes did not play out as was hoped.

The reason we decided to liquidate is simple. In the last semi-annual letter, I stated the following:

While it is clear that Tsodilo's diamond development activities at BK16 have the potential for significant value creation, it is important to reiterate that the Partnership is invested in TSD for exposure to FQM's copper exploration. If FQM *doesn't find anything and gives up on Botswana in terms of copper, then it is highly likely that we will liquidate our Tsodilo position. The beauty is that the diamond development at BK16 provides a margin of safety in the case of a copper failure; and additional upside in the case of a FQM success.*

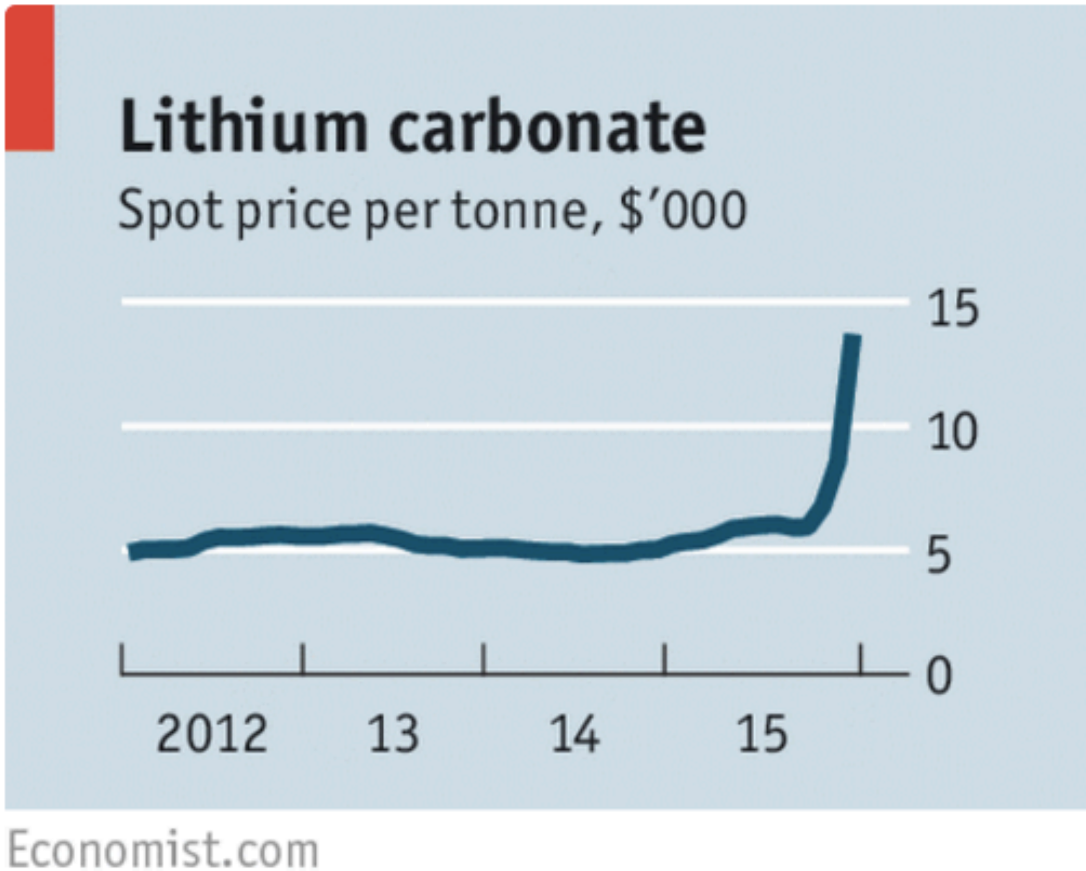
Sure enough, even though it's been nearly 3 years since Tsodilo first signed their copper JV with First Quantum Minerals, there has not been a single result reported. This leads me to believe that one of two scenarios has transpired: (1) First Quantum drastically reduced funding to this JV due to an internal cash crunch BEFORE they were able to test their copper hypothesis or (2) First Quantum did a round of exploratory drilling and did not find what they were looking for. Either way, I saw no indication that progress was being made on the copper front and, as I've stated from day one, this copper opportunity is the reason we purchased TSD shares to begin with.

All is not lost for remaining Tsodilo shareholders, but this is now strictly a diamond story. The company continues to make progress with its BK16 project – within the past half year, the company released a new geological model for BK16, raised a private placement, and added a diamond expert to its board of directors. Key risks in 2016 include TSD's thin working capital position and the "cooling off" we are seeing in the Botswana diamond market. At current TSD share prices there may be an opportunity for diamond speculators, but we will leave this opportunity for others.

Western Lithium Company (TSE:WLC)

Featured In: **January 2014**
Partnership Average Cost per Share: **$0.24 CAD**
Current Market Price (January 15, 2016): **$0.32 CAD**

Western Lithium was the Partnership's featured investment in January 2014. When I last provided an update on WLC in July, the company was trading at approximately $0.60 a share. Since then, despite the skyrocketing lithium price (see chart below) and significant internal progress, the WLC share price has suffered a nearly 50% decline! This presents an excellent buying opportunity for investors that don't want to miss out on the lithium boom.



Before getting into WLC specifics, it's important to address the dramatic movement that we've recently seen in the lithium carbonate spot price. Make no mistake, price spikes like these ALWAYS END for one of the following reasons: (A) increased supply as higher cost projects become economic, (B) demand destruction due to substitution, or (C) both A and B.

It is in the best interest of the lithium industry to ensure that this "lithium carbonate bubble" ends for reason A, and NOT reason B. If prices continue to rise and new supply is not adequately brought online, there will be serious long-term consequences regarding large-scale adoption of lithium ion batteries. In other words, there will be massive demand destruction if prices stay too high for too long. (While the parallels aren't perfect, look at what happened to rare earth demand after the bubble earlier this decade.) It is in the lithium industry's best interest to bring 2-3 new lithium projects online as quickly as possible to avoid this fate.

With this pretext, I am confident that Western Lithium (and their Cauchari-Olaroz lithium brine project in Argentina) will be one of the next 2-3 large-scale lithium projects to reach production. Here are the key reasons:

1. There aren't many late stage competitors, with only Galaxy Resources (Sal de Vida project), Nemaska Lithium (Whabouchi project), and Neometals (Mount

Marion project) coming to mind. Remember that it can take up to 10 years to bring a newly discovered mineral deposit to production. Early stage lithium plays have seen substantial share price gains over the past few quarters, but I don't think the market understands how much work has to be done for these new deposits to ultimately reach production. Western Lithium's Cauchari-Olaroz project has a massive lead over these upstarts – it's been in development since 2010, has released an economic Feasibility Study, and has already received mining permits. The company projects that first production will begin in H1 2017.

2. The company has already released a positive Feasibility Study in 2012 with the following headline numbers: an initial capex of $269m USD, a post-tax NPV of $464m USD, a post-tax IRR of 19.9%, and a post-tax payback of 5 years. While the report has likely lost some accuracy in the 3 years since it's release, it does provide a decent ballpark figure for what Cauchari-Olaroz is worth. The kicker is that the price of lithium used in this study was a mere $6,000 USD per tonne. Take a look at where we are now – current prices are more than double that assumption! This gives me certainty that Cauchari-Olaroz would be a very robust operation at current lithium prices.

3. The third reason is that Western Lithium has already found a provider of project financing for Cauchari-Olaroz. This party is the $12B South Korean-conglomerate POSCO, with which the WLC reached a "Heads of Agreement ('HOA') regarding the commercialization of the Company's Cauchari-Olaroz lithium project" in August 2015. This is a huge stamp of approval for the project as a whole. The only negative is that since this announcement the two parties have been locked in negotiations regarding the project's financing terms. This delay is hurting both parties, but I expect a binding JV agreement to be signed by the end of Q1 2016. This agreement is the single biggest outstanding catalyst for WLC shares at current. Hopefully the spiking lithium price instills urgency in both parties.

4. With the recent election of right-leaning Mauricio Macri as president, Argentina is an attractive place to build a mine again. This should see foreign direct investments into Argentina spike over the following 12 months - Macri himself expects $20B of FDI into Argentina in 2016. In January alone, we saw Coca-Cola announce a $1b investment and Renault-Nissan pledge $600m shortly thereafter. Indirectly, this change in the political landscape gives WLC leverage over POSCO, who seem to be stalling for a more attractive deal. If this posturing continues for too long, WLC should be able to attract plenty of alternative financing options for Cauchari-Olaroz (either on a project or company level).

In light of the above information, I believe that WLC shares provide attractive relative value at current levels. Out of conservatism, let's use the post-tax NPV number of $464m USD as the company's "fair value". This is very conservative because (a) this NPV number was obtained using lithium carbonate prices that are less than half of current spot prices and (b) this "fair value" ignores any potential upside from Kings Valley's lithium/organoclay operations. Given the company's stage (FS released, mining permit received, project financing nearly secured, construction to begin imminently), this fair value should be discounted by approximately 60% to represent outstanding risks for the project. The result is an expected value of $185m USD, which is roughly 3x greater than Western Lithium's net enterprise value at current share prices.

The two biggest milestones for WLC shareholders to look for this year are the signing of a definitive JV agreement with POSCO and the commencement of construction at Cauchari-Olaroz. These should occur in the immediate term - I would be disappointed if both of these weren't completed in H1 of this year. Looking farther ahead, I'd like to see the following two events fall into place by year end: (1) WLC's hectatone operations become cash flow positive and (2) more ambitiously, the release of a FS for lithium production at King's Valley.

In short, Western Lithium looks attractive right now. Even with conservative assumptions (and ignoring any value from the Nevada operations), the current WLC share price seems to offer substantial relative value. Meanwhile the company has sufficient working capital to survive the next year without an equity raise, plus has some major catalysts in store for 2016.

Phoscan Chemical Corp (TSE:FOS) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **July 2013**
Partnership Average Cost per Share: **$0.29 CAD**
Exit Price: **$0.32 CAD**

South Boulder Mines (ASX:STB) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **July 2012**
Partnership Average Cost per Share: **$0.48 AUD**
Exit Price: **$0.28 AUD**

Northern Graphite (CVE:NGC) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **January 2012**
Partnership Average Cost per Share: **$0.97 CAD**
Exit Price: **$0.80 CAD**