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**To:** MJG Capital Limited Partners  
**From:** Matt Geiger  
**Date:** February 15, 2018  
**Subject:** 2017 Second Half Review

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Below is set forth MJG Capital Fund, LP's performance through December 31, 2017.

6 Month Performance

|   |         |
|---|---------|
| MJG Capital Fund, LP (net of all fees and expenses) | 40.77 % |
| S&P 500   | 10.31 % |
| S&P/TSX Venture Composite Index                     | 10.94 % |

1 Year Performance

|   |         |
|---|---------|
| MJG Capital Fund, LP (net of all fees and expenses) | 55.62 % |
| S&P 500   | 19.41 % |
| S&P/TSX Venture Composite Index                     | 11.57 % |

3 Year Performance

|   |         |
|---|---------|
| MJG Capital Fund, LP (net of all fees and expenses) | 67.62 % |
| S&P 500   | 29.87 % |
| S&P/TSX Venture Composite Index                     | 22.32 % |

Performance Since Inception (9/1/11)

|   |           |
|---|-----------|
| MJG Capital Fund, LP (net of all fees and expenses) | (48.97) % |
| S&P 500   | 119.35 %  |
| S&P/TSX Venture Composite Index                     | (53.02) % |

**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.

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# Introduction

The Partnership was formed roughly six years ago and the results are detailed on the previous page. The S&P 500 represents the alternative investment of choice, while the TSX Venture is the closest proxy to the universe of resource equities that the Partnership selects from.

We are now two years into this hard asset bull market. While the general perception is that 2017 was a disappointing year for natural resource investors, my view is that we've just undergone a healthy consolidation period before the next up leg. Given the euphoria we witnessed in 2016, it's unsurprising that last year failed to live up to investor expectations.

That said, 2017 was quietly an excellent year for disciplined stock pickers and participants in high-quality private placements.

When I say "disciplined stock pickers", I'm referring to investors who restrict their investments to companies with excellent management teams, BIG opportunities, near-term catalysts, solid share structures, sufficient working capital positions, etc. But most importantly, they do this AT THE RIGHT PRICE and resist the temptation to chase the share price of the latest market darling (think Novo, Garibaldi, Aurion, or GT Gold).

And when I say "high-quality private placements", I'm referring to deals that include a full, 2 yr warrant at the very minimum (with no accelerator of course). Just as importantly, the company needs to be raising sufficient funds to answer that next big unanswered question before coming back to market.

I believe that 2018 will be an even better year for disciplined stock pickers and participants in high-quality private placements. In fact, my suspicion is that this will be the defining year of the bull market. As Rick Rule succinctly stated in December, the metals and mining space feels "Not too hot, not too cold, but just right". After nearly a decade of underperformance relative to most asset classes, hard assets are set to return to center stage in 2018.

In this letter's *Market Musings*, I start with a treatise on why investors should avoid "optionality plays" in this market environment. I then share why the best way to invest in the electric vehicle revolution is through exposure to high-quality nickel sulphide and laterite deposits that are amenable to Class 1 nickel production. This nickel/EV narrative is gaining momentum and will soon become mainstream.

In the *Overview of Partnership Holdings*, I provide information on how the Partnership is allocating our capital by (1) commodity, (2) jurisdiction, and (3) operational phase. At current, we have twenty-two positions in the portfolio.

I conclude by presenting our most recent *Featured Investment* (Sama Resources) as well as updates on holdings featured in past letters (Ardea Resources, Excelsior Mining, and Nevsun Resources).

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# Market Musings

## Go For Big Outcomes (But NOT Through Optionality)

The junior mining space is fraught with risk. For any given company, the odds of success are far worse than a coin flip. To compensate for the risk, investors need to focus on big outcomes. They need their winners to be home runs.

This is the same mentality that we see with venture capitalists in Silicon Valley. The smartest investors only focus on massive opportunities. They are looking for the next Facebook, Tesla, or AirBnb. They are not looking for small wins because they understand that starting a business of any size is hard. And you might as well get a big reward if you're lucky enough to get it right.

The very smartest natural resource investors take the same approach. Friedland, Lundin, Beaty, Rule, Katusa... it's all the same. The following quote from Thom Kaplan encapsulates this big outcome mentality:

*"It takes as much time, if not longer, to develop a small asset as it does a big one. It's one of the reasons why we only go for really big assets, because the small ones don't make a difference ... especially if you ever want to sell one to a major. They need something that moves the needle. And investors tend to be a little bit complacent about that. They get easily seduced — rather than just saying, 'Look, I want to focus on the category killer assets.'"*

In practical terms, this means only investing in companies where this is a minimum 100% difference between current valuation and fair value/expected value. Even better is to shoot for 5 baggers and 10 baggers.

For explorers, make sure that management has the stated intent, prerequisite knowledge, and access to capital to find a large scale, world-class deposit.

For development stage miners, make sure that the projected after-tax NPV of the project is at least \$250m and preferably much higher. Make sure that the property has exploration potential or, even better, district-scale potential.

For single-asset producers, make sure that the size of the operation is big enough to move the needle for the major miners. (In the gold space, this means 100k ounces of annual production or more.)

Private placements are another excellent way to amplify upside. The inclusion of a full warrant can turn a medium sized opportunity into a big one.

A popular way to achieve big outcomes are through so-called “optionality plays”. These are generally large, low-grade mineral projects that are entirely uneconomic at current metal prices. However, if the price of the underlying metal rises, these optionality plays provide maximum leverage.

Optionality plays were all the rage during the last major resource bull cycle between 2002-2007. The psychology back then was the more metal the better, regardless of the cost of extraction. And the mining industry took it to the extreme for nearly a decade. Investors who focused on optionality plays made a killing.

But the piper was eventually paid in the 2011-2015 bear market as metal prices collapsed. The big miners had to write off many of these marginal assets from their balance sheets. This has left a terrible taste in the mouths of management. The big miners are jaded regarding optionality plays, and instead are only investing in projects that work at prevailing metal prices. Investors should follow their lead.

So how do you focus on big outcomes without betting on optionality plays? The answer is to take RATIONAL RISKS that don’t involve rising metal prices for your given thesis to be proven correct. These risks can take many different forms but some of the main ones include:

**Permitting** – Generally a large project, good economics but market has skepticism about permits. Examples include Excelsior Mining, Trilogy Metals, or Northern Dynasty.

**Geopolitical** – World-class project(s) but in a scary place. Examples include Black Iron, Ivanhoe Mines, or Norilsk Nickel.

**Exploration** – Undergoing large scale exploration program with potential of world-class outcome. May or may not include a JV partner. Examples include Sama Resources, Aston Bay Holdings, or Regulus Resources.

**M&A** – Opportunities where you are betting on a buyout or a big deal to be signed. Examples include Tonogold, Entre Gold, or Columbus Gold.

**Marketability of Product** – Projects with excellent economics but the market doubts there will be customers. Examples include Verde Agritech or Scandium International.

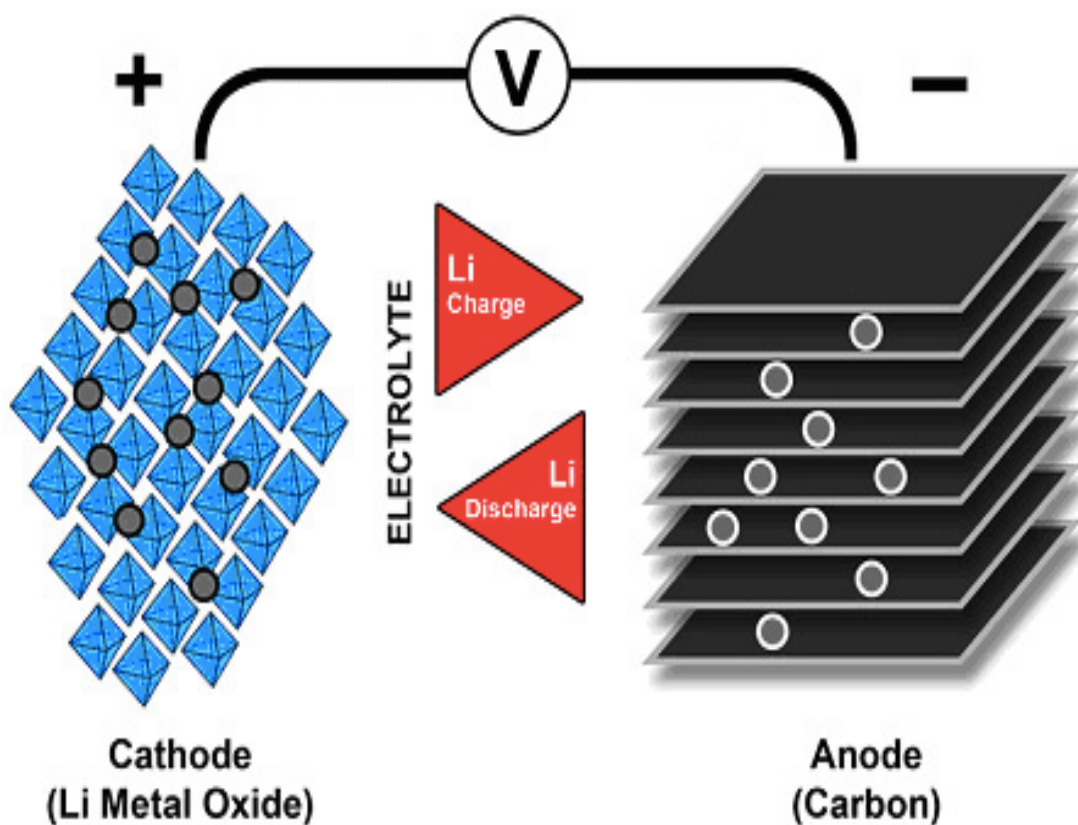
Investors who take these types of risks while focusing only on big opportunities can make excellent returns in a flat metal price environment. The key is to diversify the risks so that they are unrelated to each other.

My sense is that it will take at least a few years for optionality plays to return to favor. (It’s probably best for the industry that they don’t.) In the meantime, natural resource investors would be better served to place big bets that don’t involve rising metal prices for their thesis to be proven correct.

## Nickel Is The New Lithium

The first lithium ion battery became commercially available in the early 1970's. However, it was only until the past decade that lithium-ion became the preeminent battery type globally – thanks to improved technology and plunging production costs. All electric vehicles currently on the road use lithium-ion batteries and, for at least the next decade, this will remain the case.

The science behind lithium-ion technology is quite fascinating. As seen the in the below graphic provided by Battery University, each battery contains three key components: a cathode, an anode, and an electrolyte.



**Figure 1: Ion flow in lithium-ion battery**

When the cell charges and discharges, ions shuttle between the cathode and the anode. On discharge, the anode undergoes oxidation, or loss of electrons, and the cathode sees a reduction, or a gain of electrons. Upon charging, the electrons leave the cathode and flow back to the anode. The electrolyte is the conductor that allows the electrons travel back and forth between anode and cathode.

These three components have unique material inputs. The electrolyte is commonly a lithium salt dissolved in a mixture of organic solvents. Depending on the specific battery, electrolytes can be found in a solid, liquid, or gel-like form.

Battery anodes are almost always made of graphite. Graphite comes in two forms: natural graphite from mines and synthetic graphite from petroleum coke. Both types are used for Li-ion anode material.

The most complex of these components is the cathode. There are four main cathode chemistries currently in commercial use: Li-cobalt, Li-manganese, Li-phosphate, and NMC. Material inputs include lithium, cobalt, manganese, phosphate, and/or nickel depending on the chemistry.

However, the NMC chemistry is well on its way to becoming the “King of the Cathodes”. It is the newest of the four chemistries to be put into use commercially and outperforms the others in terms of cycle life, operating temperature, and energy density. This is the type of cathode used in the vast majority of electric vehicles, as well as high performance applications such as power tools and medical devices.

The material inputs into NMC cathodes are nickel (N), manganese (M), and cobalt (C). These three metals are used together in varying proportions. The original NMC cathodes were 111, which means that there were equal quantities of nickel, manganese, and cobalt. Today 523 (5 parts nickel, 2 parts manganese, 3 parts cobalt) and 622 (6 parts nickel, 2 parts manganese, 2 parts cobalt) are the prevailing cathode chemistries in commercial use.

You may see a trend underway. As NMC cathode technology advances, each new chemistry demands more and more nickel (relative to manganese and cobalt). This trend is expected to continue - within the next 2-4 years, 811 chemistry is set to become the industry standard.

Battery makers are shifting towards NMC cathodes. NMC chemistry is transitioning to 811. What are the implications for raw material demand?

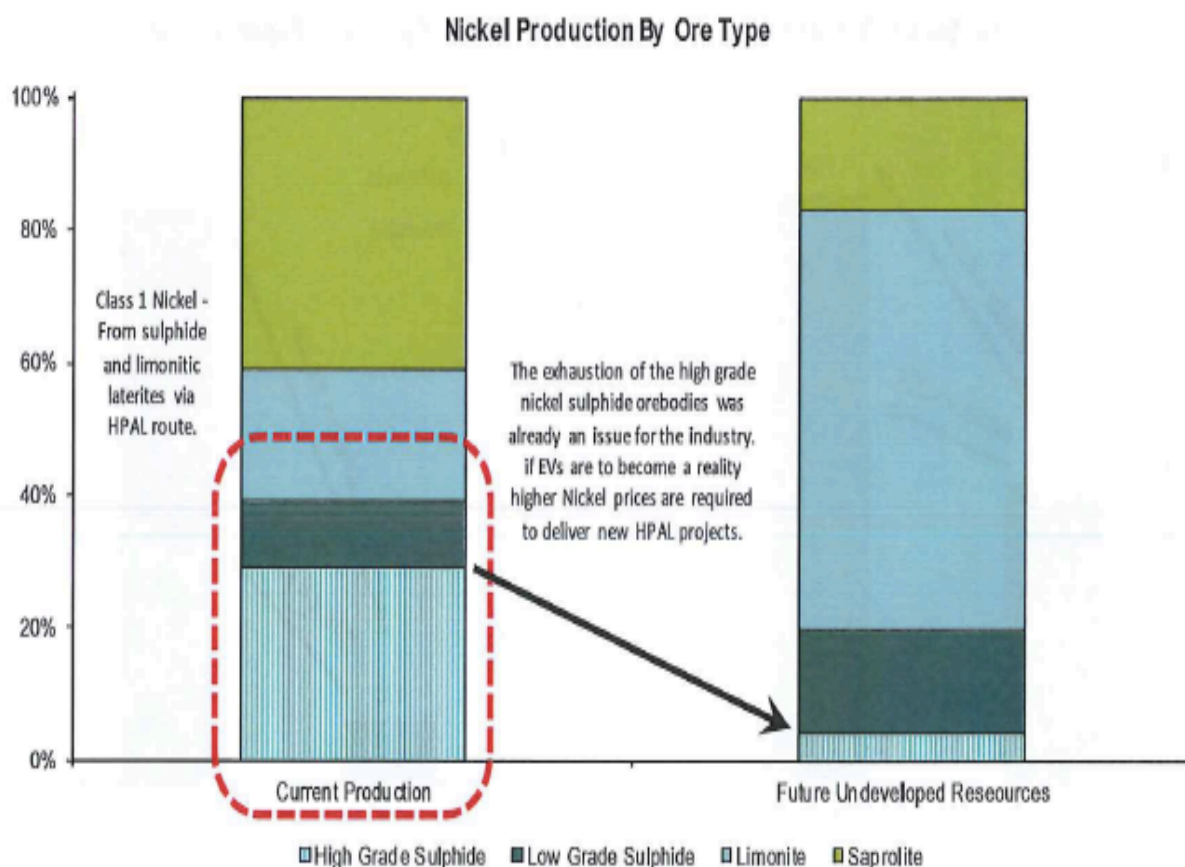
Paul Gait, Jonathan Absolon, and Catherine Tubb from Bernstein draw the following two conclusions in an excellent research report titled *Metals & Mining: Lithium, nickel, or cobalt? Where does the electric vehicle bottleneck sit?*

1. “The first is that, under all battery chemistry scenarios (i.e. whether all batteries were NMC (111), NMC (811), or anything in between), production of lithium would not be the limiting factor; in other words, lithium never creates the raw material bottleneck.”
2. “Whilst cobalt is the raw material bottleneck if we build NMC (111) or NMC (523) electric vehicles, any move beyond this to NMC (622) or NMC (811) suddenly leaves us severely limited by nickel supply, even under the “optimistic” supply scenarios that we analyze.”

In other words, securing nickel will soon become a greater challenge to battery manufacturers than securing lithium! The general investing public has yet to recognize this, and the nickel/EV narrative is set garner significantly more attention in the coming years.

To compound matters, only 50% of global nickel production is suitable for use in batteries. As seen in the below graphic, only nickel produced from sulphide and certain limonitic laterite deposits is considered battery-grade (also referred to as “Class 1 nickel”). Ferronickel and NPI production, both of which boomed over the course of the Chinese “super cycle”, cannot be used in batteries. Investors should expect to see a bifurcation in the prices paid for Class 1 nickel versus non battery-grade product.

**EXHIBIT 5: The basic issue facing the nickel industry is the exhaustion of the high grade sulphide nickel deposits (i.e. the easiest form of nickel to process) and the requirement to move to more complex lateritic orebodies.**



Source: Vale, Bernstein Analysis & Estimates

It's also worth noting that the nickel price is still down 75% from its all-time high of \$24 per pound reached in 2007. This price slump has resulted in both mine shutdowns (most recently at First Quantum's Ravensthorpe) as well as a decade of underinvestment globally in nickel exploration and development.

Given the attention already being paid to lithium and cobalt, it is my belief that the best way to invest in the electric vehicle revolution is through exposure to high-quality nickel sulphide and laterite deposits that are amenable to Class 1 nickel production. Investors need to act quickly however, as the nickel/EV narrative is gaining momentum and will soon become mainstream.

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# Overview of Partnership Holdings

Below is a breakdown of the Partnership's holdings as of February 14, 2018.

The Partnership is exposed to different commodities, different jurisdictions, and different stages of the development cycle.

Over the next six months, I will focus on adding more weight to our uranium, silver, and ag mineral positions.

| Allocation By Commodity  |     |
|--------------------------|-----|
| <b>Food &amp; Water</b>  |     |
| Farmland*                | 3%  |
| Potash                   | 2%  |
| <b>Energy Metals</b>     |     |
| Nickel                   | 13% |
| Copper                   | 10% |
| Uranium                  | 8%  |
| Cobalt                   | 3%  |
| Rare Earths              | 2%  |
| Scandium                 | 2%  |
| <b>Industrial Metals</b> |     |
| Zinc                     | 12% |
| Iron Ore                 | 2%  |
| <b>Precious Metals</b>   |     |
| Gold                     | 35% |
| Silver                   | 6%  |
| Cash (USD)               | 2%  |

\* Signifies minimal correlation to the mining sector



| Allocation By Country |     |
|-----------------------|-----|
| United States         | 30% |
| Canada                | 19% |
| Australia             | 13% |
| Côte d'Ivoire         | 13% |
| Mexico                | 5%  |
| Russia                | 4%  |
| Eritrea               | 3%  |
| Mali                  | 3%  |
| Peru                  | 2%  |
| Brazil                | 2%  |
| Ecuador               | 2%  |
| Ukraine               | 2%  |
| Cash (USD)            | 2%  |

| Allocation By Operational Phase |     |
|---------------------------------|-----|
| Exploration                     | 31% |
| Development                     | 50% |
| Production                      | 17% |
| Cash (USD)                      | 2%  |

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# Featured Investment

## Sama Resources (CVE: SME)

Sama Resources has been a partnership holding for just over a year and is now one of our largest positions. We initiated the position through a private placement conducted at C\$0.10, which included a full, 5-year warrant at C\$0.15 (with no accelerator). We've since bought on the open market – bringing our average cost per share to roughly C\$0.11.

While the performance of Sama shares has been exceptional over this period, the company remains relatively unknown and shares continue to offer significant upside. Subtracting the company's cash and position in SRG Graphite, Sama has a fully diluted enterprise value of just under C\$40m – despite the involvement of Robert Friedland, the grand slam potential of the company's Samapleu Ni-Cu project, and the battery-grade nickel narrative that will soon become mainstream.

In this *Featured Investment* piece, I begin by providing an overview of the company - with a particular emphasis on the management team, the company's outsized working capital position, and the recently announced strategic partnerships with CVMR and Robert Friedland's HPX.

We then review Sama's flagship asset: the massive Samapleu nickel-copper-cobalt-PGM project located in Côte d'Ivoire, West-Africa.

Next, we discuss how SME shares offer tremendous upside to further discovery at the Samapleu project, and limited downside due to the company's outsized position in SRG Graphite.

We conclude with Sama's expected catalysts over the coming months, so readers can keep tabs on the company's progress alongside me.

## Company Background

Sama Resources has been exploring and developing the Samapleu Project in Cote d'Ivoire, West Africa since 2009. I was originally attracted to this story due to the quality of the people involved. Executive Chairman Benoit La Salle has three decades of experience in West Africa and founded SEMAFO, now a multi-billion dollar gold producer, in the early 1990's. He has been involved with the Sama story since 2012.

CEO Dr. Marc-Antoine Audet, who has led Sama since 2010, is also the right man in the right place. He's a geologist by trade who has 27 years of experience exploring for nickel with Falconbridge and Xstrata Nickel. Much of this time was spent in West Africa.

Between Benoit, Marc, and the rest of the management team, insider ownership sits at an acceptable 8%. China Minmetals, a Beijing-based metals trading company, owns 12.9% purchased through its subsidiary MMR Exploration in 2011. The Australia-based investment vehicle African Lion owns 3.6% of Sama and has been involved since at least 2010. Rick Rule's Sprott Global also owns 1.5% of the company.

In June 2017, the company signed an important strategic partnership with Canadian-based CVMR Corporation. CVMR is one of the largest producers of nickel and iron powders globally (used in lithium-ion batteries, 3D printing, and other cutting-edge applications). As stated by CVMR's CEO Kamran M. Khozan:

*"The geological formation of the Samapleu deposit is ideally suited to CVMR's nickel and iron powder production technology. The manufacture of metal components and additives has undergone a paradigm shift in the past ten years as 3D printing and metal injection moulding are replacing many other manufacturing methods. Accordingly, the demand for nickel and iron powders is increasing more rapidly than most optimistic forecasts. Sama Resources is well positioned to take advantage of this major shift in the manufacturing industry."*

The agreement stipulates that Sama will pay C\$5m in cash or shares to CVMR (due within 90 days of the granting of the mining lease) in order to license CVMR's proprietary nickel and iron powder production technology. CVMR will also receive a royalty equal to 15% of the sale price of metal powders produced by the Plants in excess of the London Metal Exchange price.

This partnership should be a win-win for both parties. From Sama's perspective, nickel powders sell at a significant premium to LME nickel prices "providing the company with a market advantage and growth opportunity not previously available". CVMR meanwhile has the opportunity to scale its production of nickel and iron powders to satisfy the growing appetite of its customer base, while also participating in the economic upside of the Samapleu Project through the 15% royalty.

A few months later, in October 2017, the company announced a strategic partnership with Robert Friedland's HPX TechCo. Given Friedland's status as the preeminent mining financier in the world, this was a game changer for Sama's prospects. The terms are as follows:

*"As part of the Term Sheet, HPX would make a strategic investment in Sama of up to C\$12,250,000. HPX would also have the ability to earn-into a joint venture with Sama to acquire a total of up to a 60% interest in Sama's interest in the Côte d'Ivoire project, including the Samapleu Project, by funding exploration expenses and completing the feasibility study through total investments of C\$30,000,000. Under the terms of the Term Sheet, HPX would purchase 25,000,000 Units ("Units") of Sama at a price of C\$0.21 per Unit, resulting in total proceeds to Sama of C\$5,250,000 (the "Private Placement"). The Units include 25,000,000 fully vested two-year (2-year) common share purchase warrants ("Warrants") with an exercise price of C\$0.28 per share. Fully exercised, the Private Placement and Warrants proceeds will total an investment of C\$12,250,000 in Sama."*

This partnership with HPX is significant for a handful of reasons. First, it ensures that there will be no equity dilution for Sama shareholders for at least 2 years – as HPX is responsible for the next C\$30m of expenditures at the project.

In addition, Sama can now leverage HPX's highly skilled exploration team and the proprietary technology that they've developed. This includes HPX's "Typhoon" IP and EM geophysical survey technology, which has 4-5x deeper penetration than the surveys previously conducted at Samapleu.

Finally, Friedland's involvement validates the scale of the opportunity. Friedland isn't interested in anything less than a world-class deposit, indicating that he thinks the best has yet to be found by Sama. It was also worth noting that Voisey's Bay, the marquee discovery of Friedland's career, shares close geological similarities to Samapleu.

Upon closing of the HPX deal, Sama will have 243 million shares, warrants, and options outstanding. This results in a fully diluted market cap of C\$97m at the current share price. However, the company has a substantial working capital position with C\$9m in cash and roughly C\$50m in shares of SRG Graphite – dropping the fully diluted enterprise value to just under C\$40m.

## Samapleu

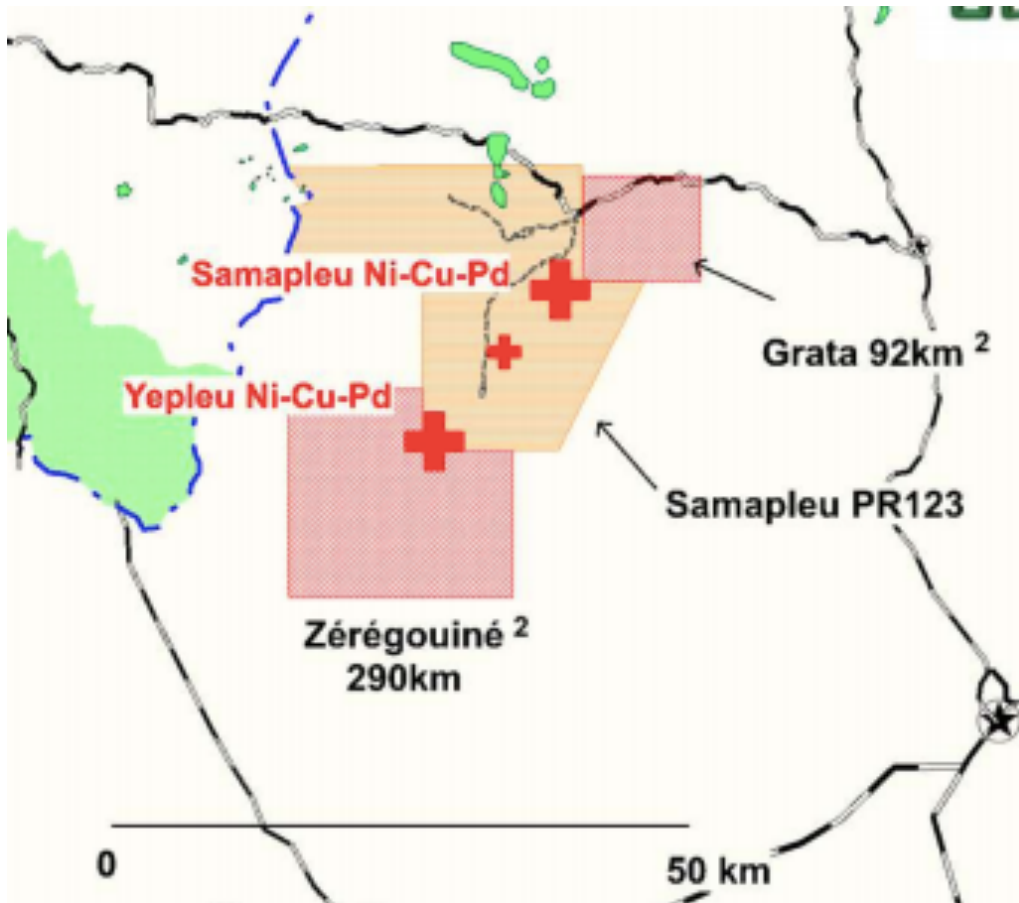
The Samapleu Project is located in western Cote d'Ivoire, along the country's border with Guinea. The land package is massive, spanning 828 square kilometers.

As seen in the map below, the project consists of three different permit blocks: Grata, Samapleu, and Zeregouine.

Both Grata and Zeregouine are 100%-owned by Sama (subject to a 10% free-carried interest to the Ivorian Government).

The Samapleu permit is a joint venture owned 66% by Sama and 33% by SODEMI, the Ivorian state mining company (also subject to a 10% free-carried interest to the Ivorian Government).

Remember that HPX now has the right to earn 60% of Sama's ownership in these three permits by spending C\$30m and delivering a feasibility study.



When I sat down with Sama's management team in November at the *San Francisco Silver & Gold Summit*, CEO Dr. Marc-Antoine Audet emphasized that the rocks found at Samapleu are some of the oldest on earth. The mineralization and geological characteristics are typical of a layered "Pipe-like Intrusion". These rare types of intrusions host the world's largest nickel-copper deposits such as:

- Noril'sk (2,216 Mt at 0.78% Ni, 1.38% Cu)
- Jinchuan (515 Mt at 1.06% Ni, 0.67% Cu)
- Voisey Bay (137 Mt at 1.68% Ni, 0.87% Cu)
- Eagle (5 Mt at 3.33% Ni)
- Eagle Nest (20 Mt at 1.68% Ni, 0.90% Cu)
- Kalatongke (24 Mt at 0.68% Ni, 1.08% Cu)
- N'komati (3 Mt at 2.08% Ni, 1.14% Cu)

The project has already seen ~24,000 meters of drilling and close to C\$30m put into the ground. The vast majority of the work conducted thus far has been at the “Samapleu Main” and “Samapleu Extension” deposits found within the Samapleu claim block. The below chart displays selected drill results from these two deposits.

| Hole-ID                  | From<br>m | To<br>m | Interval<br>m | Ni<br>% | Cu<br>% | Pd<br>gr/t | Date of News Release |
|--------------------------|-----------|---------|---------------|---------|---------|------------|----------------------|
| <b>Samapleu Deposits</b> |           |         |               |         |         |            |                      |
| SM44-428267              | 15.00     | 68.90   | 53.90         | 0.96    | 0.76    | 0.74       | April 20, 2015       |
| including                | 57.65     | 60.55   | 2.90          | 4.45    | 2.20    | 3.08       |                      |
| including                | 62.90     | 68.00   | 5.10          | 3.87    | 2.56    | 2.83       |                      |
| SM25-133537              | 30.00     | 63.00   | 33.00         | 0.38    | 0.31    | 0.63       | April 20, 2015       |
| including                | 32.45     | 36.65   | 4.20          | 1.13    | 1.03    | 1.75       |                      |
| SM44-683140              | 347.00    | 495.85  | 149.00        | 0.30    | 0.29    | 0.42       | August 12, 2014      |
| including                | 347.00    | 356.20  | 9.20          | 0.46    | 1.12    | 1.11       |                      |
| SM44-693140b             | 513.20    | 604.40  | 91.20         | 0.25    | 0.17    | 0.24       | August 12, 2014      |
| including                | 513.95    | 514.25  | 0.30          | 0.19    | 6.55    | 1.99       |                      |
| including                | 594.15    | 597.55  | 3.40          | 1.12    | 0.50    | 1.61       |                      |
| SM44-494350b             | 11.00     | 64.00   | 53.00         | 0.52    | 0.50    | 0.31       | February 16, 2012    |
| including                | 29.20     | 34.80   | 5.60          | 1.91    | 1.71    | 0.94       |                      |
| SM44-450250b             | 33.50     | 92.90   | 59.40         | 0.89    | 0.86    | 0.81       | June 20, 2011        |
| including                | 85.25     | 91.90   | 6.65          | 3.80    | 2.92    | 3.09       |                      |
| SM44-492354              | 10.00     | 61.00   | 51.00         | 0.72    | 0.61    | 0.45       | January 10, 2011     |
| including                | 36.00     | 46.00   | 10.00         | 1.76    | 1.30    | 1.00       |                      |
| including                | 24.00     | 29.00   | 5.00          | 1.32    | 1.18    | 0.75       |                      |
| SM44-450250              | 13.50     | 102.80  | 89.30         | 0.66    | 0.64    | 0.58       | May 31, 2010         |
| including                | 86.60     | 101.60  | 17.00         | 1.99    | 1.96    | 1.49       |                      |
| SM25-112519              | 22.00     | 144.00  | 122.00        | 0.44    | 0.32    | 0.94       |                      |
| including                | 84.90     | 95.90   | 11.00         | 1.89    | 0.78    | 2.84       |                      |
| SM24-661614              | 67.30     | 244.00  | 176.70        | 0.26    | 0.20    | 0.49       | June 26, 2010        |
| including                | 162.00    | 170.60  | 8.60          | 1.02    | 0.95    | 1.51       |                      |

Drill assay SM44-428267 is the best we’ve seen at the project so far – cutting 53.9 meters grading 0.96% nickel, 0.75% copper, and 0.74 g/t palladium. This includes an 8 meter intercept of massive sulphide grading 4.08% nickel, 2.43% copper, and 2.92 g/t palladium (starting 60m from surface).

In September 2013, the company released an initial NI 43-101 resource for Samapleu Main + Extension. The company reported an indicated resource of 14.1 million tonnes grading 0.24% nickel and 0.20% copper, and an inferred resource of 26.5 million tonnes grading 0.24% nickel and 0.18% copper.

The company has added significantly to the Samapleu Main + Extension resource in the years since. Just recently, Sama completed a 2800m infill program with assays expected in the coming weeks.

Additionally, the company is working on a Feasibility Study expected in 2018. This will assess the economics of a smallish, open-pit operation at Samapleu Main + Extension. I’m expecting an initial capex

of below US\$150m. The study can be expected to incorporate CVMR's proprietary technology into the flowsheet.

Concurrently, the company is working hard with the Ivorian government on completing permitting. This process is aided significantly by Benoit La Salle's deep connections within the country. The company is expecting to see approval of its Environmental Impact Study by the end of Q1 2018, followed by a Mining License by the end of 2018.

The upcoming Feasibility Study provides SME investors with a near term catalyst, but it is important to understand that this story is much bigger than whatever the headline numbers turn out to be. There are a couple reasons for this.

First, Sama has over two dozen targets across the project that either haven't been tested sufficiently or tested at all - due to budget constraints and/or a lack of accessibility. A few of these key targets include: (1) Yepleu which saw promising drill results in early 2014 that were never followed up, (2) Bounta where a 2% nickel sulphide lens outcrops at surface, and (3) Grata which recently lit up a downhole EM survey. The funding provided by HPX will allow for all of these targets to be properly assessed in a comprehensive exploration program.

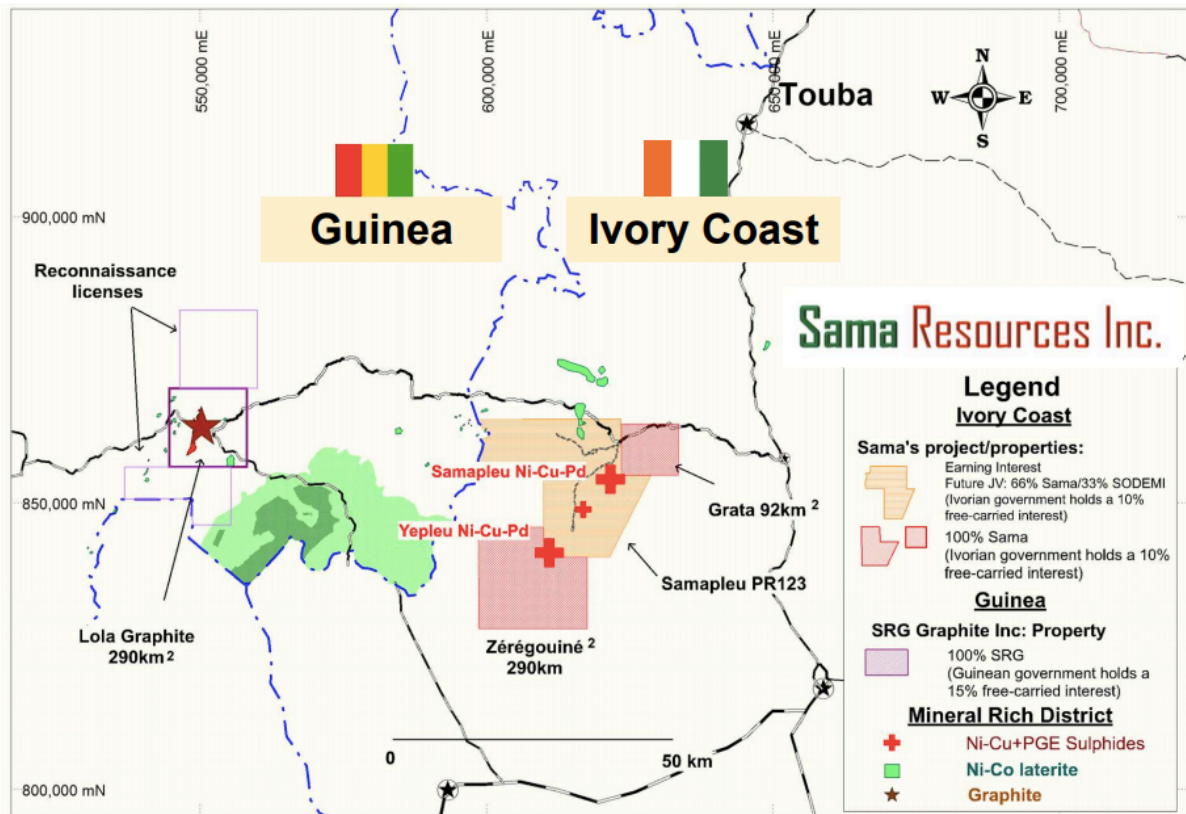
Additionally, both Sama management and HPX's exploration team think that the near-surface mineralization discovered thus far by Sama originated from high-grade nickel sulphide reservoirs located deep below the earth's surface. Thanks to HPX's "Typhoon" technology, the team for the first time will be able to assess the likelihood of these high-grade feeder zones down to 2000 meters in depth. Discovery of one of these sulphide reservoirs has the potential to make Samapleu a multi-billion dollar asset. And that's exactly what Friedland is after.

Once the Typhoon Survey is completed in the upcoming months, Sama management expects to see 2-3 drills active on the property. By the end of 2018, investors can expect to see drill results from Samapleu Main + Extension, Yepleu, Bounta, Grata, and potentially a few more top priority targets.

## SRG Graphite

SRG Graphite was spun out from Sama Resources in January 2017. In the 12 months since, SRG's share price has rocketed by over 300% and the company's market capitalization has surpassed Sama's. Sama owns 40% of SRG, which at current share prices is worth roughly C\$50m.

Well before SRG Graphite was spun out, Sama Resources acquired what is now the Lola Graphite Project. As seen in the below map, the project is less than 50 kilometers away from Samapleu but is located across the border with Guinea. The company also staked additional reconnaissance licenses around Lola prospective for graphite and nickel laterites.



After some promising drill results and metallurgical tests in 2014-2016, management decided to spin Lola and the rest of the Guinea licenses into a separate vehicle. This move made sense at the time as Lola differed from Samapleu both in target metal and jurisdiction. But what has happened since has exceeded management's expectations by an order of magnitude.

Lola has quickly turned into a world-class graphite development project. The deposit itself checks all the boxes. It's massive with 3.22km<sup>2</sup> of surface graphite mineralization and a length of 8.7km, making it one of the largest graphite projects in the world. The flake distribution is excellent with 89% of the flakes either large, jumbo, or super-jumbo in size. The mineralization starts at surface and is weathered down to 20 meters on average, which bodes well for the project's operating cost. Infrastructure is a valid concern but, given Lola's status as the hottest development project in Guinea, should be manageable. This very well could become a mine.

SRG in essence has the same management team as Sama – with Dr. Marc-Antoine Audet serving as CEO and Benoit La Salle serving as Chairman. The company is moving quickly and has enough working capital to get to a production decision. There will be significant news flow in the meantime with a Prefeasibility Study expected in the coming weeks, 1-2 offtake announcements anticipated by mid year, and a Feasibility Study expected by end of year.

SRG is targeting first production in H1 2020. The initial production target is 25k tonnes per year, which shouldn't cost more than C\$75m to build. Given the company's current market capitalization of



C\$120m, a mine of this size is already feasible on a 100% equity basis. However, the company's close relationship with CORIS (an African bank that owns 17% of SRG) indicates that a debt component is likely.

If Marc, Benoit, and the rest of the SRG team are able to hit these milestones, they are in a position to make SRG shareholders (and by extension Sama shareholders) very happy.

## Valuation

As mentioned earlier, Sama will have a fully diluted market capitalization of C\$97m upon closing of the HPX strategic partnership. The company's cash position will be C\$9m once they receive the C\$5.25m in private placement proceeds from HPX. And as we know, Sama owns roughly C\$50m in shares of SRG Graphite. This results in a fully-diluted enterprise value of just under C\$40m.

Sama is still a very early stage company. Despite the Samapleu Main + Extension Feasibility Study due out shortly, investors should think of this through the same lens as Friedland - as a world-class nickel exploration story. As such, it is difficult to put a fair value on SME shares given the high risk/high reward nature of exploration. There are however a couple ways to put the company's current valuation into perspective.

The first is to consider the value of the historical work already conducted at Samapleu, and then to compare this to the company's enterprise value. Considering that Sama has put C\$30m into the ground already, the historical expenditures cover 75% of Sama's current enterprise value.

What does this indicate? Keeping in mind that using historical expenditures as a valuation yardstick is far from an exact science, in my experience assets that are valued at or below historical expenditures are generally a bargain. By this standard, Sama wouldn't qualify as a "bargain". However, it is fair to say that SME shares have very little speculative premium baked into the current valuation. This is despite the burgeoning nickel/EV narrative, the immense size of the potential outcome at Sama, and most importantly Robert Friedland's recent validation of the story.

Another way to put the valuation in to perspective is to look at the expected value of a best-case scenario. (We'll treat the SRG Graphite shares like cash and assume that they neither rise nor fall from current levels.)

Here the best-case scenario is that Sama and HPX discover a Voisey's Bay 2.0 in the coming 12-24 months. Voisey's Bay ended up being a C\$4.3b outcome but we'll assume a C\$2b best case at Samapleu to avoid sounding entirely unrealistic.

What are the chances that Marc, Benoit, and Robert find what they are looking for? Even considering HPX's Typhoon technology and previous success with nickel sulphide discoveries, we'll put the odds of a best case outcome at 15%.

Multiplying the best-case outcome of C\$2b by this 15% chance of success gives us an expected value of C\$300m.

This number itself must then be discounted by 64-74% to account for fact that Sama will only own 26-36% of this best case outcome. (The exact number depends on whether this Voisey's Bay 2.0 is located within the Grata or Zeregouine permits, or whether it is found on the Samapleu PR123 permit subject to the 33% SODEMI interest.)

Out of conservatism, we'll assume that SODEMI gets a piece of a pie and go with the 74% discount. This results in an expected value of C\$78m, which is roughly double the current fully-diluted enterprise value.

A final key point is that, unlike the vast majority of junior miners, further equity dilution will not be an issue here. Sama management has assured me that the company has no need to come back to market to raise money until 2022 at the earliest. Remember that HPX is now responsible for the next C\$30m in expenditures in Samapleu, while Sama has ample cash and SRG shares as working capital. Shareholders should expect G+A expenditures of no more than C\$1.2m per annum over the coming 3-4 years.

## Upcoming Catalysts

In conclusion, I've provided below the catalysts that can be expected at Samapleu over the coming months and years. I've also included SRG Graphite's upcoming milestones at the Lola Project, given the relevance to Sama shareholders.

- Drill results (2800m) @ Samapleu Main + Extension **by end Q1 2018**
- EIS approval @ Samapleu **by end Q2 2018**
- Prefeasibility @ SRG Graphite's Lola Project **by end Q2 2018**
- 1-2 offtake agreements announced by SRG Graphite **by end Q2 2018**
- Completion of Typhoon Survey @ Samapleu **by end 2018**
- Drill results @ Samapleu Main + Extension, Yepleu, Bounta, & Grata **by end 2018**
- Feasibility Study released @ Samapleu Main + Extension **by end 2018**
- Mining Permit received @ Samapleu **by end 2018**
- Feasibility Study released @ SRG Graphite's Lola Project **by end 2018**

- Mining Permit received @ SRG Graphite's Lola Project **by end 2019**
- First production @ SRG Graphite's Lola Project **by end Q2 2020**
- First production @ Samapleu **by end 2022**

While the Samapleu Main + Extension Feasibility Study will be interesting, the most important of these catalysts by far are the first drill results AFTER the Typhoon Survey has been completed and assessed. Assays can be expected in Q3 and Q4 of this year.

Additionally, the number of drill rigs that we see on the property post-Typhoon Survey will give us an indication of HPX's excitement level. It would be a red flag if we don't see at least two rigs.

While Sama's share price has seen substantial gains over the previous four months, the company is still inexpensive when you consider the value of its stake in SRG Graphite and the significance of the recently announced HPX agreement. Prospective investors are advised to get involved ASAP, and then re-assess the investment once post-Typhoon drill results are reported later this year.

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# Past Featured Investments

Over the course of previous letters, I've shared featured investment write-ups for eleven different companies. These write-ups provide current and prospective investors a glimpse into our portfolio, and also give insight into the methodology I use to identify undervalued securities.

We are current shareholders of three of these companies, and I've provided updates on each of them below. I also include the *average cost per share* and *exit price* of the past featured investments that we no longer own.

## **Ardea Resources (ASX: ARL)**

Featured In: **July 2017**

Average Cost per Share: **A\$0.70**

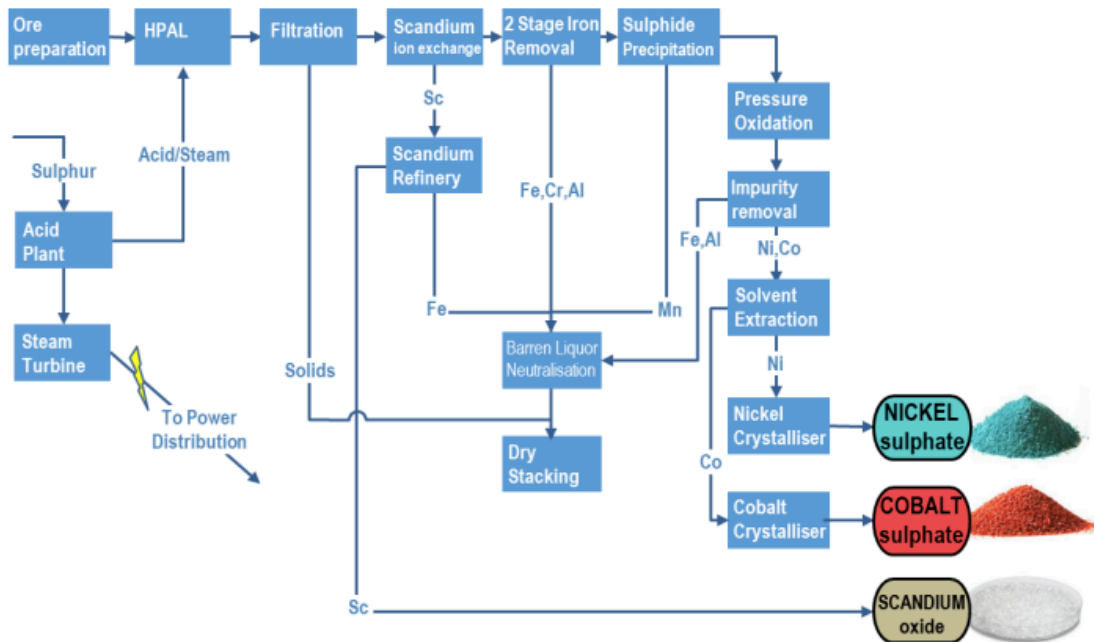
Current Market Price (Feb 14, 2018): **A\$1.34**

Ardea Resources was the *Featured Investment* in the July 2017 letter. In the months since, there have been multiple positive developments at the company's KNP Cobalt Zone project. The market has certainly taken notice – with the share price up roughly 90% over the past six months. Ardea remains the Partnership's only cobalt-focused investment and offers significant upside from current levels.

In early September, the company raised a total of A\$10m between a Share Purchase Plan for existing investors and a private placement for “sophisticated and professional investors” not yet involved with the story. Upon closing, the company announced that it had a total working capital position of A\$15m and “expects that it will have sufficient funds through to the completion of the DFS in 2019.” This has huge implications for current ARL shareholders, who can now expect to see both a PFS and Definitive Feasibility Study in the coming 24 months before having to worry about any further equity dilution.

On the project level, the company announced in November that it had selected Fifth generation HPAL for its flowsheet. Bench scale testwork had also been conducted on two alternatives (sulphuric Atmospheric Acid Leach and hydrochloric Atmospheric Acid Leach), but HPAL was selected because it “Provides an internationally recognised and commercially successful non-proprietary flowsheet likely to be acceptable to debt financiers” with comparable capital costs to the alternatives.

As seen in the below image, by combining HPAL with the MS precipitation technique into one flowsheet, it is expected that Ardea will be able to produce battery-quality nickel sulphate and cobalt sulphate on-site at the KNP. Additionally, the selected flowsheet allows for the recovery of scandium oxide though it is unclear whether the company will incorporate a scandium circuit into the soon to be released PFS.



In December, the company announced some additional news - that the Goongarrie South camp had been selected to go first in the mine plan. Remember that the KNP is a massive project with at least 7 distinct cobalt-rich deposits. The company summarized the decision to start with Goongarrie South thusly:

*With the highest cobalt and nickel grades, access to infrastructure, and location on active mining leases, Goongarrie South will be the initial focus of mining and development of the KNP Cobalt Zone. It is located on the sealed Goldfields Highway around 80 km north of the City of Kalgoorlie-Boulder, and has access to power, rail, gas, and abundant groundwater.*

As a bonus, Ardea announced late last year that it had signed an A\$5m chrysoprase agreement with Australian Jade Mining Limited (AJML). The deal terms are provided below:

- › \$200,000 up-front payment received
- › \$800,000 payment on transfer of tenements
- › \$1 million within one year of execution
- › \$3 million of AJML shares in IPO or cash payout
- › Ongoing 2% royalty on AJML's gross sales

The agreement allows AJML to mine the semi-precious gemstone chrysoprase on Ardea's Yerilla, Jump Up Dam, Aubils and Canegrass tenements. Additionally, AJML gets the first right of refusal to purchase other chrysoprase deposits discovered by Ardea at commercial rates. In the news release announcing the deal, Ardea management emphasized that this a non-core transaction that "in no way impinges upon Ardea's interests and proposed activities in cobalt and nickel mining of the KNP Cobalt Zone."

Concurrent with these project-level developments, the company made two key personnel appointments in the latter half of 2017. First, it was announced that Ian Buchhorn would be joining the company as an Executive Director. Mr. Buchhorn is an obvious appointment given his two decades of operating experience at the KNP with previous owners. This was followed by the appointment of Sarah Mitchell to spearhead the upcoming Prefeasibility and Feasibility studies. Ms. Mitchell is uniquely qualified given her previous experience working at three major nickel laterite deposits: Níquel do Vermelho in Brazil, Syerston in New South Wales, and Goro in New Caledonia.

Ian, Sarah, and the rest of the Ardea management team have their work cut out for them. I've provided below the milestones that shareholders should expect in the coming months and years:

Prefeasibility Study announced @ the KNP **by end Q1 2018**

"Definition of high-grade reserves" @ the KNP's Goongarrie South camp **by end Q2 2018**

Company "spins out" non-cobalt assets **by end 2018**

AJML targets first chrysoprase production **by end 2018**

Feasibility Study @ the KNP **by end 2019**

Initial production @ the KNP **by end 2021**

In the upcoming Prefeasibility Study, Ardea will contemplate three differently sized operations (1 Mtpa, 2.5 Mtpa, & 4 Mtpa). Ardea should be valued at no more than 20% of the after-tax NPV of the 4 Mtpa scenario.

My expectation is for the after-tax NPV of this largest scenario to be roughly A\$1.2b. This would imply that an A\$240m valuation is fair at this stage. This compares favorably to the company's current fully-diluted enterprise value of ~A\$130m.

Once the Prefeasibility Study is released this quarter, the next major milestone will be the Feasibility Study due in 2019. It is worth emphasizing that Ardea will not need to raise any additional capital between now and then.

Upon the release of the Feasibility Study, the company should be valued at no more than 30% of the after-tax NPV of the largest production scenario. Assuming the A\$1.2b NPV estimate is accurate, this suggests that a

A\$360m valuation would be reasonable upon the release of this study in 2019. And this assumes flat cobalt and nickel prices, which both very well may surprise to the upside.

#### **Viscount Mining (TSXV: VML) – NO LONGER A PARTNERSHIP HOLDING**

Featured In: **January 2017**

Average Cost per Share: **C\$0.33**

Exit Price: **C\$0.29**

#### **Golden Arrow Resources (TSXV: GRG) – NO LONGER A PARTNERSHIP HOLDING**

Featured In: **July 2016**

Average Cost per Share: **C\$0.24**

Exit Price: **C\$0.76**

#### **Excelsior Mining (TSXV: MIN)**

Featured In: **July 2016**

Average Cost per Share: **C\$0.24**

Current Market Price (February 14, 2018): **C\$1.18**

We've been Excelsior shareholders since mid-2014, with an average cost per share of C\$0.24. Despite the company's strong share price performance over the past 18 months, Excelsior's Gunnison Copper Project continues to be valued at an extreme discount to after-tax NPV.

Remember that Excelsior released a Feasibility Study in late 2016 projecting excellent economics at the Gunnison Project. This included an after-tax NPV of C\$1.05b, an IRR of over 40%, a payback of less than three years, and a tiny initial capex of US\$46.9m (assuming a 7.5% discount rate, \$3 copper, and no acid plant). These are no doubt eye-catching economics. I've provided below the copper price sensitivity analysis included in the Feasibility Study.

| <b>Post-Tax Sensitivity Analysis*</b> |                   |        |               |        |        |                       |        |               |        |        |
|---------------------------------------|-------------------|--------|---------------|--------|--------|-----------------------|--------|---------------|--------|--------|
|                                       | <b>Acid Plant</b> |        |               |        |        | <b>Non-Acid Plant</b> |        |               |        |        |
| <b>Cu Price</b>                       | \$3.25            | \$3.00 | <b>\$2.75</b> | \$2.50 | \$2.25 | \$3.25                | \$3.00 | <b>\$2.75</b> | \$2.50 | \$2.25 |
| <b>IRR</b>                            | 51%               | 45%    | <b>40%</b>    | 35%    | 29%    | 51%                   | 46%    | <b>41%</b>    | 35%    | 28%    |
| <b>NPV*</b>                           | \$1,086           | \$947  | <b>\$807</b>  | \$664  | \$522  | \$972                 | \$831  | <b>\$691</b>  | \$548  | \$405  |
| *million \$ at 7.5% discount rate     |                   |        |               |        |        |                       |        |               |        |        |

The market however has always been extremely skeptical of Excelsior's ability to receive full permitting for the project. So far, this skepticism has proven unfounded, as the company has diligently worked its way through the permitting process. Most recently, in October 2017, the company received the Aquifer Protection Permit ("APP") from the Arizona Department of Environmental Quality. This was the final permit needed from the State of Arizona to begin construction at Gunnison.

The company is now a single federal permit away from being able to start construction. The document in question is called an Underground Injection Control ("UIC") permit and is issued by the EPA. In late October 2017, it was announced that the EPA had issued a draft UIC permit for Gunnison. As stated in the company's news release: "The draft UIC permit will remain open for public comment for a minimum of 30 days; the timing of the issuance of the final UIC permit is subject to this public comment period."

In late January 2018, the company announced that the public comment period for the draft UIC permit had been extended in order to facilitate a public meeting scheduled for February 27, 2018 in Dragoon, Arizona. While this extension isn't ideal, I was assured by CEO Stephen Twyerould in a recent sit down that the UIC permit is on track for issuance in March or April of this year.

Additionally, it is worth noting that just a few weeks ago Excelsior closed an oversubscribed private placement at C\$1.00 for total proceeds of just under C\$40m. Greenstone Resources L.P., Excelsior's largest shareholder, subscribed for over 40% of the offering. This oversubscribed placement is significant for two reasons: (1) it ensures that the company does not have to raise any more equity financing to fund Gunnison's initial capex and (2) it indicates that there is minimal concern amongst Excelsior insiders that the UIC will ultimately be issued.

It's very likely that the delta between the company's fully diluted enterprise value of C\$225m and Gunnison's projected after-tax NPV of C\$1.05b will narrow significantly in the coming few months. Upon issuance of the UIC, I can't see how a project of this caliber with near-term production potential and full permits in hand could be valued at anything less than 50% of NPV (or C\$2.40 per share).

Then, in order to convince the market that the company deserves to be valued at 100% of NPV (or C\$4.80 per share), Excelsior must reach initial production on budget and then scale to a run rate of 25m pounds per year by mid 2019 without any serious hiccups. The upside here remains enormous if Stephen, Roland Goodgame, and the rest of the MIN team continue to execute.

I've included below the catalysts that MIN shareholders can expect over the coming months and years:

- UIC Permit issued by EPA **by end April 2018**
- Debt component of initial capex raised **by end Q2 2018**
- Break ground @ Gunnison **by end Q2 2018**
- First production @ Gunnison **by end 2018**



- Production rate of 25m pounds per annum achieved **by end Q2 2019**
- Production rate of 125m pounds per annum achieved **by end 2023**

I encourage investors interested in this story to get involved before the final UIC permit is issued by Scott Pruitt's EPA. This is a significant catalyst, and I wouldn't be surprised to see the share price immediately double if/when the UIC is received.

#### **Almadex Minerals (TSXV: AMZ) – NO LONGER A PARTNERSHIP HOLDING**

Featured In: **January 2016**

Average Cost per Share: **C\$0.16**

Exit Price: **C\$1.62 CAD**

#### **Quintis Ltd (ASX: QIN) – NO LONGER A PARTNERSHIP HOLDING**

Featured In: **July 2015**

Average Cost per Share: **A\$1.16**

Exit Price: **A\$0.00**

#### **Nevsun Resources (NYSE: NSU)**

Featured In: **January 2015**

Average Cost per Share: **US\$2.45**

Current Market Price (February 14, 2018): **US\$2.27**

Nevsun remains a must own for any value investor looking for copper exposure. With a current enterprise value of US\$540m, NSU's valuation is entirely divorced from the combined NPV of the company's three main assets: Timok Upper Zone, Timok Lower Zone, and the Bisha Mine. Additionally the company has a significant near-term catalyst with a PFS expected at the Timok Upper Zone within the next 60 days. Nevsun is well capitalized with US\$150m in cash and no debt; there will be no need for further equity dilution until a construction financing package is put together for Timok.

For this update, we'll start with Timok, as it is fair to say that this world-class copper development asset firmly qualifies as Nevsun's flagship project. In late October, the company released an updated PEA showing excellent headline numbers for Timok's Upper Zone:

- Initial capex of US\$630m
- After-tax NPV of US\$1.5b (\$3 copper and an 8% discount rate)

- 50% IRR,
- Under 1.5 year payback

The main difference between this updated PEA and the original PEA released in early 2016 by Timok's previous owner Reservoir Minerals is a tripling of the initial capex from US\$213m to US\$630m. This is due to management's decision to forgo a DSO mining phase and instead implement a Sub Level Caving mining method from day one. While the increase in initial capex is clearly not ideal, this US\$600m number still compares very favorably to the projected after-tax NPV of US\$1.5b.

Nevsun expects to release a Prefeasibility Study for the Timok Upper Zone within the next 60 days. Given that the updated PEA was released just a few months ago, I don't expect any material differences in the headline numbers. A Feasibility Study is expected to follow in H1 2019.

Another important near-term Timok milestone is the commencement of decline construction. The company is waiting on an exploration decline construction permit from the State of Serbia but expects it to be received shortly. Assuming receipt of the permit in Q1 2018, the decline is expected to reach the Main Zone ore body in late 2019.

The company continues to make progress at its 46%-owned Timok Lower Zone. In early December, the company released some eye-catching intercepts from an ongoing US\$20m drill program with joint venture partner Freeport-McMoRan:

- **Fourteen new porphyry copper intersections of greater than 1.0% Cu including:**
  - 1.08% Cu and 0.27g/t Au over 747.4m in TC170168 (1.27% Cu equivalent)
    - Including 2.27% Cu and 0.59 g/t Au over 90.0 m (2.68% Cu equivalent)
  - 1.21% Cu and 0.21g/t Au over 546.0m (1.36% Cu equivalent) and 1.14% Cu and 0.20 g/t Au over 411.7m (1.28% Cu equivalent) in TC170175
    - Including 1.85% Cu and 0.30g/t Au over 78.0 m (2.06% Cu equivalent)

This program is expected to be complete in early 2018 and is designed to further define the large footprint of the Timok Lower Zone mineralization. Nevsun and Freeport are in the midst of designing the next phase of the Lower Zone work program, which will be funded pro-rata by the partners.

As Nevsun makes brisk progress at Timok, the company's producing Bisha Mine located in Eritrea continues to struggle with recoveries and has been de-emphasized by management. Rather than embark on the pit expansion detailed in the Bisha mine plan, the company announced in early August that "the Bisha operation now has a reserve mine life to mid-2021, down from approximately 8 years at the last reserve estimate. The decrease is due to the decision to mine a smaller pit at Bisha. A larger capital investment to mine a larger pit was considered, however, the Company determined that on a risk-adjusted basis this alternative was not the most prudent allocation of capital at this time."

There is no doubt that the continued metallurgical struggles played a large part in this decision. While Bisha's Feasibility Study assumed recoveries of 85% copper and 80% zinc, Bisha's most recent technical report in August 2017 lowers expectations to 70% copper and 77% zinc. At this point it seems extremely unlikely that even the revised recovery estimates will be achieved, as recoveries of these two metals seem to be inversely correlated. For example, the company was able to increase zinc recoveries from 62.2% in Q2 to 74% in Q3 and 69% in Q4. However this resulted in copper recoveries dropping from 51.6% in Q2 to 33.4% in Q3 and 31% in Q4. Management stated last year that they expect "to achieve the new recoveries in 2018" but it seems unlikely that copper recoveries will ever get close to that 70% estimate.

Despite its struggles, Bisha generated US\$12.1 in operating income in Nevsun's most recent quarter. The mine is currently undergoing a mobile fleet expansion, and operating income should improve significantly once this is completed in Q2 2018. While the asset is undoubtedly underperforming, the cash flow from Bisha remains an important part of the Nevsun story – allowing the company to advance Timok to production with minimal equity dilution.

I've provided below the milestones that Nevsun shareholders should expect at both Timok and Bisha over the coming months:

- Prefeasibility Study announced @ Timok Upper Zone **by end Q1 2018**
- Decline construction commences @ Timok Upper Zone **by end Q1 2018**
- Mobile fleet expansion completed @ Bisha **by end Q2 2018**
- Additional drill results (12,500m) @ highly prospective Upper Zone targets **by end 2018**
- Drill results (15,000m) @ Bisha **by end 2018**
- Drill results (16,000m) @ exploration projects in Serbia & Macedonia **by end 2018**
- Feasibility Study announced @ Timok Upper Zone **by end Q2 2019**
- Final operating permit received @ Timok Upper Zone **by end Q2 2019**
- Decline reaches ore body @ Timok Upper Zone **by end 2019**
- Initial production @ Timok Upper Zone **by end 2021**

Nevsun has no debt and roughly US\$150m in the bank. Considering future cash flow from Bisha, the company should be able to get to a construction decision at Timok without any equity dilution. The biggest risk here is that an acquirer comes in, takes out NSU shareholders at 60-100% premium, and then steals all future value created at Timok. The best antidote would be an improved share price as Nevsun has severely lagged peers so far in this cycle.

**Tsodilo Resources (TSXV: TSD) – NO LONGER A PARTNERSHIP HOLDING**

Featured In: **July 2014**

Average Cost per Share: **C\$0.86**

Exit Price: **C\$0.71**

**Lithium Americas (TSX: LAC) – NO LONGER A PARTNERSHIP HOLDING**

Featured In: **January 2014**

Average Cost per Share: **C\$1.20**

Exit Price: **C\$12.70**

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

Featured In: **July 2013**

Average Cost per Share: **C\$0.29**

Exit Price: **C\$0.32**

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

Featured In: **July 2012**

Average Cost per Share: **A\$0.48**

Exit Price: **A\$0.28**

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

Featured In: **January 2012**

Average Cost per Share: **C\$0.97**

Exit Price: **C\$0.80**