MJG Capital

To:	MJG Capital Limited Partners
From:	Matt Geiger
Date:	January 18, 2022
Subject:	2021 Second Half Review

Below is set forth MJG Capital Fund, LP's performance through December 31, 2021.

6 Month Performance	
MJG Capital Fund, LP (net of all fees and expenses)	1.30 %
S&P 500	10.91 %
S&P/TSX Venture Composite Index	(2.24) %

1 Year Performance	
MJG Capital Fund, LP (net of all fees and expenses)	4.62 %
S&P 500	26.89 %
S&P/TSX Venture Composite Index	7.29 %

3 Year Performance	
MJG Capital Fund, LP (net of all fees and expenses)	292.35 %
S&P 500	90.13 %
S&P/TSX Venture Composite Index	68.56 %

5 Year Performance	
MJG Capital Fund, LP (net of all fees and expenses)	277.96 %
S&P 500	112.87 %
S&P/TSX Venture Composite Index	23.17 %

Performance Since Inception (9/1/11)	
MJG Capital Fund, LP (net of all fees and expenses)	23.94 %
S&P 500	291.02 %
S&P/TSX Venture Composite Index	(48.13) %

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

The MJG partnership was formed just over ten years ago, with returns 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 fits the MJG investment mandate.

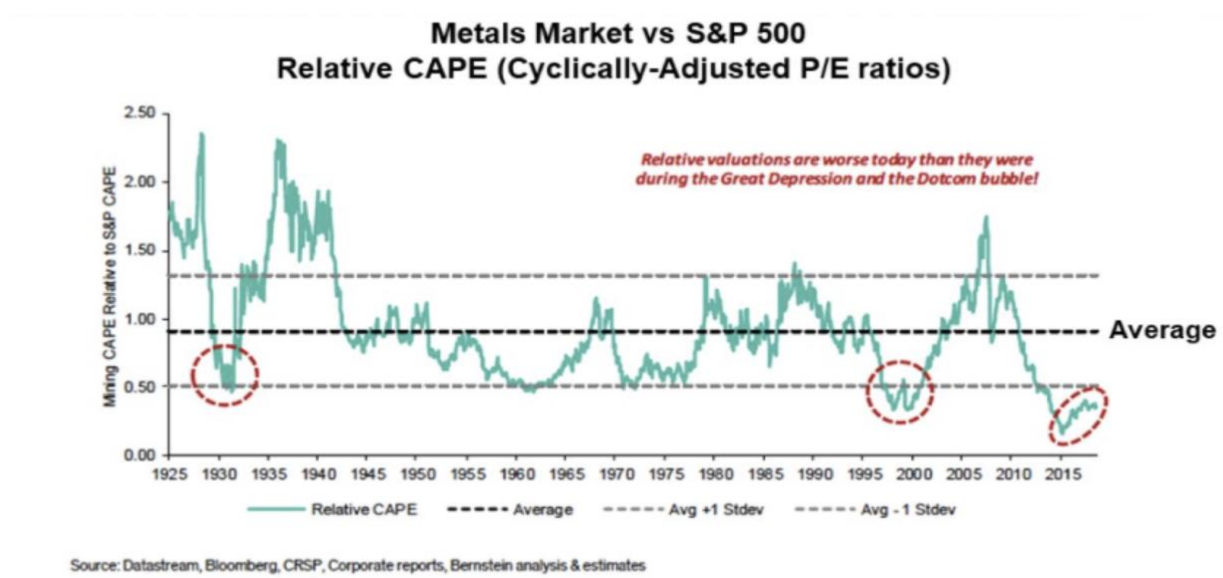
After registering its strongest year since inception (+113.20%) in 2020, the MJG partnership experienced a relatively dull year in 2021 – with a 4.62% return net of fees and expenses.

In general terms, strength amongst the partnership's energy metal and ag mineral-focused investments were largely offset by continued weakness (now sixteen months running) amongst our precious metals-focused holdings. The partnership's precious metals weighting now sits at roughly 32% of the broader MJG portfolio. This is down from 50% in January 2021 and from as high as 75% in August 2020.

Despite the less than thrilling results, the year was not without its positive developments. Three of the four remaining private investments held by the MJG partnership went public over the course of the year. Additionally, two MJG holdings received acquisition offers in the past four months – which is noteworthy for a portfolio with only a couple dozen positions at any given time.

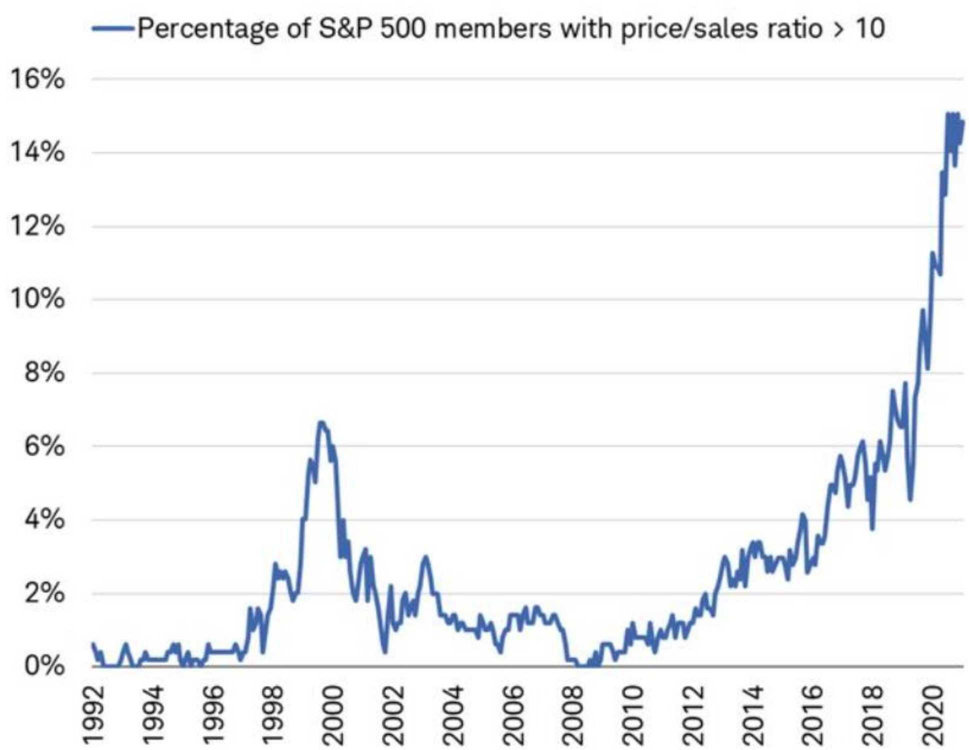
The MJG partnership has now appreciated in value in three consecutive years, as well as in five of the past six years. The three- and five-year performance numbers continue to compare very well to most any benchmark. We remain very much on track.

At the risk of sounding redundant, the dilemma faced by the natural resource investor is just as acute today as it was six months ago. On the one hand, the commodity complex has only been this cheap relative to the broader stock market on a couple occasions over the past century.



The above chart from Bernstein illustrates this fact with a comparison of the cyclically-adjusted P/E ratios of mining companies to the S&P 500 going back to 1925. But this same phenomenon is borne out in other datasets as well – and it doesn't make a difference whether one looks at the prices at physical commodities, resource equities generally (including oil and gas), or mining-focused equities specifically. This remains true even with the strong commodity price performance since spring 2020, considering that equity markets have rallied alongside the commodity complex in tandem. By historical standards, the outlook for this niche of the market remains excellent.

With this said, there is good reason to be cautious in the near term. The valuations exhibited across most other asset classes remain near historic highs. In one particularly chilling anecdote (illustrated in the below chart courtesy of Charles Schwab), the percentage of S&P 500 companies with price to sales ratios north of 10x is more than double than what we saw at the peak of the Dot-com bubble.



Source: Charles Schwab, Bloomberg, as of 12/31/2021.

These lofty valuations are paired with what can only be described as euphoric sentiment. According to recent data from Bank of America, retail investors deployed more capital into equity markets in 2021 than in the previous nineteen years combined. This is obviously not sustainable – particularly heading into a Fed tightening cycle – and suggests a wicked risk-off event once the music stops.

This is where the problem lies for natural resource-focused investors. Despite the compelling relative valuations, it is also true that commodity prices (as measured by the Bloomberg Commodities Index) have been more correlated to the stock market than they have been in decades. According to Mike McGlone from Bloomberg Intelligence, the correlation between the BCOM and S&P 500 sits at 0.85 as of December 2021. This suggests that whenever the next major risk-off episode occurs, the commodity complex will experience stomach-churning drawdowns in the immediate aftermath. There's no getting around it – even the most powerful multi-year commodity bull markets are inevitably interrupted by one or two "gut checks" along the way.

With this top of mind, the MJG partnership continues to inch up its cash position through a combination of profit taking, new fund inflows, and particular restraint from initiating new positions. (The partnership added only four new names to the portfolio over the course of 2021.) This cash weighting can be expected to steadily inch closer towards 20% -- assuming the good times continue – with every passing month. If this approach proves overly conservative, then that would be a wonderful problem to have.

This letter's *Market Musings* discusses the prospect generator business model and the benefits that it affords to investors seeking exposure to early-stage mineral exploration. This business model has been out-of-favor for nearly two decades now, however it is set to return to favor in the coming years for a couple of reasons.

In the *Overview of Partnership Holdings*, the MJG portfolio construction is reviewed by commodity, jurisdiction, and business model. As of December 31st, the partnership held twenty-seven publicly traded positions, one private investment, and three sets of "in the money" warrants.

This letter's *Featured Investment* is Altus Strategies (LSE: ALS). Updates on the following seven MJG investments featured in previous letters are also included: Strategic Resources, Nova Royalty, Tonogold Resources, Lara Exploration, Salazar Resources, Adriatic Metals, and Sama Resources.

Market Musings

Prospecting For Prospect Generators

Early-stage mineral exploration is an incredibly high-risk business, with geology textbooks fond of stating that the odds of a mineralized occurrence ultimately becoming a mine are somewhere between 1 in 1000 and 1 in 3000. Early-stage mineral exploration also occasionally leads to extraordinary value-creation events, where tens or even hundreds of millions of dollars of value can be added on the back of a single drill hole. This allure of a “discovery hole” supports an ecosystem of hundreds of exploration-stage juniors drilling previously untested mineral prospects around the world. All but a handful of these outfits will fail outright, but the potential prize keeps geologists (and the investors that back them) coming back for more.

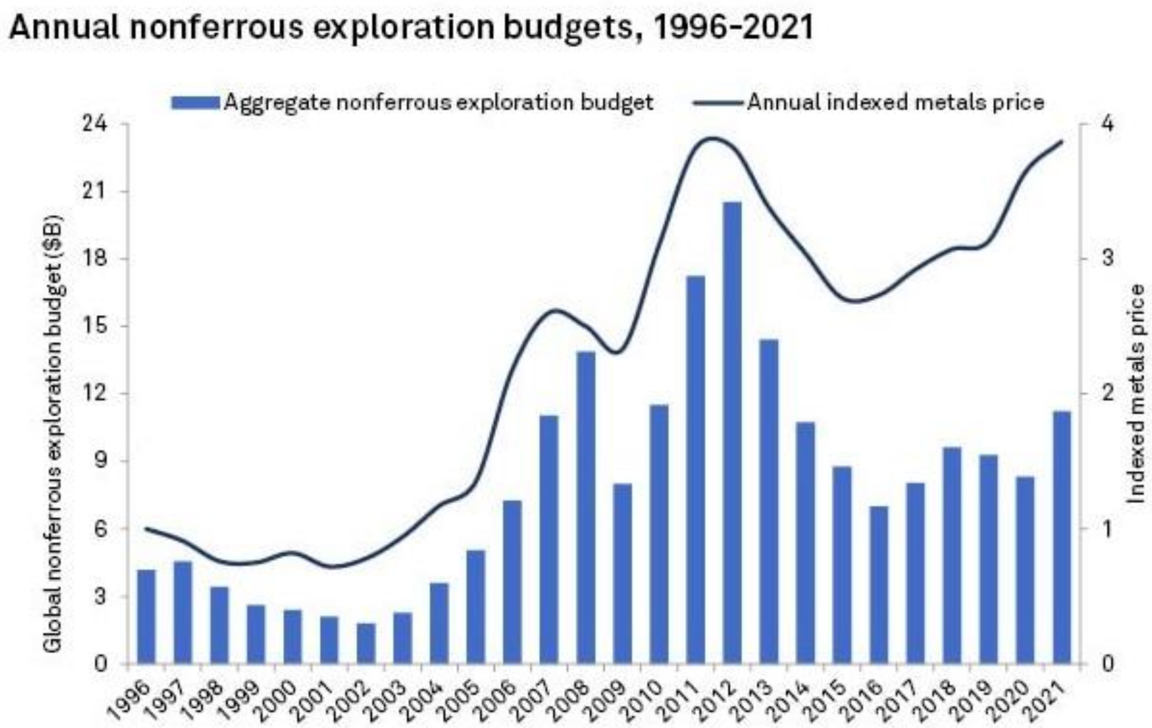
There is a way, however, to participate in the upside inherent in early-stage mineral exploration without incurring nearly the same level of risk as the typical single-asset junior explorer. This is done via the prospect generation business model, which is typically comprised of the following steps: (1) generating a large portfolio of prospective mineral properties, (2) partaking in inexpensive early-stage exploration work, preferably without drilling a single hole, (3) marketing these properties to larger players that may be interested in either the jurisdiction, target commodity, or geological story, (4) assisting the partner with additional exploration and potentially collecting a management fee for doing so, and (5) reinvesting any proceeds from operations into new early-stage properties and repeating the process.

There is one clear downside to the prospect generation model. Should a major discovery be made, the spoils are split between the earn-in partner and the prospect generator – with the prospect generator keeping a smaller slice of the overall pie. But with this comes a handful of advantages not enjoyed by the single-asset explorer, including (a) more “shots on goal” across multiple projects, (b) the risk of failure spread across multiple assets, (c) less share dilution given the expenses that come with drilling, and (d) the accumulation of intellectual capital that comes from confining one’s focus to a single, repeatable task.

There is somewhere between three and four dozen publicly-traded prospect generators. As can be imagined, not all of these are entirely alike. Some prospect generators focus on recycled projects with previous but limited exploration, others focus entirely on newly staked grassroots properties. Some prioritize a project-level interest when negotiating with potential partners, while others care solely about generating a royalty. “Hybrid” prospect generators are willing to self-fund drilling on occasion, while a “pure” prospect generator would never consider this. But the essence of the model – leveraging intellectual capital with other people’s money – remains more or less the same.

Despite these positive attributes, this business model is entirely out-of-favor and has been so for decades. This was largely true even during the China-driven commodity bull cycle earlier this century, where the mining industry’s emphasis was on the development of existing mineral deposits (in the context of higher metal prices) versus making new discoveries. The model really hasn't been in favor since the last "discovery-driven" mining bull market – all the way back in the 1990's.

With that said, it appears that some luster is set to return to this narrow niche of the mining market for a couple of reasons. First, we are set to see a surge of mining exploration spending in the coming years. Due in part to COVID-related restrictions, we have yet to see exploration spending respond to the recent move higher in metal prices. This is well illustrated in the below graphic from S&P Global Market Intelligence, where the delta between the annual indexed metals price and the aggregate exploration budget hasn't been this wide in decades.



Source: S&P Global Market Intelligence. Data as of Sept 25, 2021.

We can count on the major producers to bridge much of this gap. In the last cycle, the majors burned their fingers badly by taking on debt to acquire marginal, late-stage development assets (with the assumption that metal prices would continue to rise). They won't make the same mistakes – at least at this point in the current cycle – with the emphasis instead on "value creation through the drill bit", in the words of Barrick Gold CEO Mark Bristow. The prospect generator cause is furthered by the fact that many of these major companies cut or eliminated entirely their exploration teams over the past decade, presenting prospect generators an opportunity to fill the void by sourcing new opportunities and serving as the operator in initial exploration efforts.

A second trend that favors this business model is the emergence of a number of new entrants to the royalty space in the past two to three years. This has created intense competition for mineral royalties of all types, including those that are pre-production. We are likely to see an increasing number of transactions between royalty companies and prospect generators, as royalty companies move down the food chain in response to increased competition. (One recent example is the September 2021 transaction between prospect generator Almadex Minerals and Star Royalties, in which a 2% NSR on the Elk Gold Mine traded hands for US$10.63m.)

Furthermore, most of these royalty companies do not currently have the in-house capability to organically generate royalties – and are instead reliant solely on participation in competitive bid processes to grow their portfolios. (Exceptions include Altius Minerals, EMX Royalty, and Altus Strategies.) It would not be surprising to see one or two prospect generators taken over by established royalty players, with the understanding that the key technical members of the prospect generator continue their work within the royalty company.

With the above in mind, the MJG partnership recently built a model that analyzes the prospect generation universe across four different metrics: (1) the working capital to market capitalization ratio to approximate downside risk in a worst-case scenario, (2) the company's runway to assess dilution risk, (3) the synthetic revenue to EV ratio to approximate value, and (4) the "skin in the game" held between board and management to reflect insider incentivization. The model's initial results – which can now be continually updated – were illuminating and eventually led to the addition of two new prospect generators to the MJG partnership portfolio.

Before concluding, a few thoughts on how companies employing this business model can best position themselves for the coming years. If they haven't done so already, prospect generators should be shifting their deal structures to prioritize a retained royalty interest – at the expense, if necessary, of a project-level interest. We are living through, after all, "the reign of the royalty" (as discussed in *Market Musings* in the January 2020 MJG investor letter).

Prospect generators should also demonstrate to the market that they can go at least two years – and preferably well longer – without raising additional capital. One of the key merits of this business model is the protection against share dilution; if a prospect generator finds itself in a cycle of perpetual dilution, then something has gone seriously awry.

There also appears to be an opportunity for a consolidator to emerge within the industry, similar to what Gold Royalty is pursuing within the junior royalty space. This opportunity has admittedly existed for quite some time, but has not yet been attempted.

Consolidator or not, this is a small niche of the resource sector that we will continue to follow with interest over the coming years. The coupling of the dynamics outlined above with the complete investor apathy towards this business model suggests a return to favor or, at the very least, outperformance of the very low expectations currently in place. After all – the lower the bar is set, the easier it is to jump over.

Overview of Partnership Holdings

The MJG partnership is exposed to different commodities, jurisdictions, and business models. As of December 31st, we held twenty-seven publicly traded positions, one private investment, and three sets of "in the money" warrants (priced at intrinsic value for reporting purposes).

Similar to the first half of the year, this was a quiet period in terms of initiating new positions – with only two new names added to the portfolio over the past six months (both prospect generators via open market purchases). The MJG partnership also participated in its third private placement with Altus Strategies, which is an existing, long-term holding and the subject of this letter's *Featured Investment*.

Three positions were liquidated over the second half of 2021. Due to a flurry of warrant exercises shortly before year end, the number of publicly traded positions held within the partnership currently has increased to twenty-seven. This is too many. As such, the focus over the coming months will be more on subtraction than addition.

Ultimately the MJG investment philosophy has very little to do with commodity price speculation, and everything to do with management expertise, insider incentivization, asset quality, financial structure, upcoming catalysts, and price to value metrics. In essence, bottom-up investing based on company-specific fundamentals and the people involved.

With that said, to manage risk we continue to monitor our exposure to specific commodities, jurisdictions, and business models. There are no major concerns from an allocation perspective at the present time. The partnership's weighting towards prospect generators increased gradually over the course of the year; it's likely that our exposure to this out-of-favor business model will approach 20% of the overall portfolio by mid 2022.

The MJG cash weighting was officially 11% at year end, though this does not include the partnership's position in ASX-listed Western Areas – which can be viewed, somewhat liberally, as a cash proxy after agreeing to an all-cash bid from A$10 billion miner IGO Limited. (The MJG partnership continues to hold its full position with the belief that a competing offer is possible, if not likely; the market seems to agree with the WSA share price trading at a consistent premium to IGO's cash offer in the month since the deal was announced.)

The partnership's cash weighting sits at 14% with the Western Areas position included and should approach 20% by mid-year 2022 – absent a major risk-off episode materializing in the meantime. This should be readily achievable through a combination of profit taking, liquidating underperforming positions, and new fund inflows.

Included below is a snapshot of the MJG partnership's investments as of December 31, 2021.

Allocation by Commodity	
Energy Metals	
Copper	20%
Nickel	7%
Uranium	6%
Vanadium	5%
Graphite	1%
Precious Metals	
Gold	24%
Silver	8%
Ag Minerals	
Phosphate	13%
Potash	3%
Industrial Metals	
Zinc	2%
Cash (USD)	11%

Allocation by Jurisdiction	
Canada	31%
Argentina	10%
Niger	6%
United States	6%
Finland	5%
Mali	5%
Brazil	4%
Côte d'Ivoire	4%
Mexico	4%
Australia	3%
Bosnia	3%
Ecuador	2%
Serbia	2%
Sweden	2%
Mongolia	1%
Turkey	1%
Cash (USD)	11%

Allocation by Business Model	
Prospect Generation	16%
Exploration	18%
Development	29%
Production	3%
Royalty/Streaming	23%
Cash (USD)	11%

Featured Investment

Altus Strategies (LSE: ALS)

Altus Strategies is one of the longer held positions within MJG portfolio – with the partnership's initial investment occurring in April 2018 via a private placement at a split-adjusted £0.423, which included a full, 5-year warrant exercisable at a split-adjusted £0.846. After subsequent open market purchases as well as the participation in two additional placements, the MJG partnership's average cost is now approximately £0.54 per share. The Altus Strategies share price sits at £0.595 as of January 14th, 2022.

Altus Strategies can best be described at this point as a royalty company; however, the company is unique in that this is complemented by a prolific royalty generation business as well as a valuable 100%-owned gold development asset. The team behind Altus is highly accomplished, ethical, and well-incentivized – with the board owning a combined 13.2% of the company. This is paired with an equally impressive shareholder registry, which is headlined by Egyptian billionaire Naguib Sawiris's investment fund La Mancha at 35% ownership but also includes three trusted investors in the MJG network who have enjoyed repeated success through royalty and royalty generation investments.

Altus is fresh off two significant royalty acquisitions within the past five months – paying US$34.1m for an effective 0.418% NSR interest on the producing Caserones Copper Mine in northern Chile and, more recently, US$24m to Newcrest Mining for a portfolio of royalties covering three producing mines and up to twenty-one pre-production stage assets. Altus appears reasonably valued on a sum of the parts basis for the assets acquired in these two acquisitions and its 100%-owned Diba Gold Project in Mali.

The rest of the business – which includes a prospective 100%-owned project portfolio in Egypt, a 25% ownership stake in a soon-to-be listed exploration junior, twenty-four pre-production stage royalties in Africa, and a skilled technical team with the wherewithal to organically generate additional royalties – is not reflected in the company's current valuation. Seeking free exposure to the potentially exceptional upside afforded by properly conducted mineral exploration has treated the MJG partnership well in recent years, with former *Featured Investments* Golden Valley Mines and Almadex Minerals both serving as fine examples.

This *Featured Investment* piece begins with an overview of the company's corporate history, the background of key players, insider incentivization, financing history, share structure, and working capital positioning.

Next, Altus's three most important assets – the royalty interest at Caserones, the recently acquired royalty portfolio from Newcrest, and the PEA-stage Diba Gold Project – are covered in more detail. The company's valuation is then put into context, with the case made that Altus's current enterprise value is supported by these three assets alone.

The ensuing section discusses the remainder of the company's assets, at least one of which has the potential to be a company-maker in its own right.

This *Featured Investment* concludes with the expected Altus share price catalysts over the coming year, along with some parting thoughts on potential outcomes and risks for the company longer-term.

Company Background

Altus was founded by two enterprising exploration geologists with deep experience in Africa. To this day, both founders – CEO Steven Poulton and Executive Director Matthew Granger – remain intimately involved with the company's day-to-day operations and own over 7% of Altus in tandem. Steven and Matthew have been working together for over two decades; shared experiences include spawning Afferro Mining (sold to IMIC in 2013 for approximately US$200m) and managing a US$150m investment fund.

Altus was formed in 2008 but only listed relatively recently – with an IPO on the AIM in August 2017 followed by a dual-listing on the TSX Venture the following June. In January 2018, Altus completed the acquisition of the prospect generator Legend Gold. This gave Altus a significant portfolio of Mali-based gold assets at various stages of development, while adding Legend's founder Michael Winn to the company's board of directors. Michael is a well-respected mining executive who also serves as the Chairman of EMX Royalty Corp.

Naguib Sawiris's La Mancha came into the picture in November 2019 when it invested US$8.4m into Altus for a 35% stake in the company. In exchange, La Mancha received the right to appoint up to two directors to the Altus board, follow-on rights for future financings, and a ROFR on future asset divestments undertaken by Altus. La Mancha, represented on the Altus board by its CEO Karim Nasr, has been a supportive investor in the two years since – maintaining its 35% ownership by participating pro-rata in the company's past two financings, while also providing the friendly US$29m loan-facility that allowed Altus to pull off its Caserones royalty purchase in August 2021. La Mancha also adds deep experience within the African continent, where the group has made several successful mining investments in recent years. Notably, Altus remains La Mancha's first and only royalty-focused investment.

In addition to La Mancha, Altus has also received strong support over the years from Rick Rule and his former group Sprott Global (5% ownership), as well as a handful of resource funds such as Dallas-based Condire Investors (10% ownership) and Germany-based Delphi (6% ownership). Paul Stephens and Adrian Day, two highly respected royalty-focused investors, have also been long time supporters of the Altus story.

The Altus board of directors owns just over 13% of the company, not including La Mancha's 35% position. Management and directors have participated in all the company's financings to date – with

CEO Steve Poulton investing a further half million dollars in the most recent financing. In short, insider alignment is not an issue here.

As noted previously, Altus has conducted two additional financings since the original La Mancha investment. The first took place in March 2021 when Altus raised £7.7m at £0.75 – a healthy premium to the current share price. The second, where Altus raised £19.8m at £0.535 to finance the acquisition of the Newcrest royalty portfolio, closed just last month. Neither deal included a warrant sweetener, which speaks to the company's access to capital. The MJG partnership participated in both of these financings.

Issued shares outstanding	**117,321,678**
Share options	5,675,000
Warrants C$1.500 / 18 Apr 23	5,478,323
Fully diluted	**128,475,001**

Source: Altus Strategies Presentation. Jan 2022.

Despite the recent financing activity, the company maintains a relatively tight share structure with a minimal warrant/option overhang. Altus sports a fully-diluted market capitalization of US$103m at its current share price and an enterprise value – including US$29m in debt, US$13m in cash, US$2m in marketable securities, and US$12m in future warrant exercise proceeds – of approximately US$105m.

Altus is in a position to never raise capital again if it so chooses given the company's (a) healthy cash and marketable securities position, (b) expected US$6.4m in royalty cashflow post-tax for FY 2022, and (c) debt being held in friendly hands. That said, there is always the possibility that additional M&A activity results in more equity dilution. It is incumbent on the company's brain trust to ensure that any future royalty acquisitions are distinctly accretive on a per share basis.

The Big Three

Altus Strategies holds a vast portfolio of thirty-three royalties and twenty-seven projects spread over nine countries. However, within the broader Altus portfolio, there are three that stand above the rest: the Caserones royalty interest, the Newcrest royalty portfolio, and the 100%-owned Diba Gold Project. Both Caserones and the Newcrest royalty portfolio were acquired in recent acquisitions, while Diba came into fold with the Legend Gold acquisition in 2018.

At its current US$103m enterprise value, Altus appears reasonably valued on a sum of the parts basis when accounting only for these three assets. Given their importance to the company, each will be discussed in brief below.

Caserones Royalty

Altus acquired its effective 0.418% royalty interest in the Caserones Copper Mine for US$34.1m in August 2021. Caserones is a large, open-pit operation in the Atacama region of northern Chile and is 100%-owned by JX Nippon Mining and Metals Corporation of Japan. The mine produces copper and moly concentrates from a conventional crusher, mill and flotation plant, as well as copper cathodes from a dump leach, solvent extraction and electrowinning plant.

Caserones has been in production for five years, following a capital investment of over US$4.2 billion by the previous owner Mitsui Mining. The mine struggled operationally and with environmental issues in its early years, leading Mitsui to sell its stake in the mine to JX Nippon in late 2020. Production seems to be trending in the right direction however, with JX Nippon announcing earlier this year that April 2021 - March 2022 output would be 11% higher than the year prior. Additionally, just three weeks after the acquisition was announced, a Chilean court approved a US$42m environmental compliance plan submitted by JX Nippon – easing concern about the environmental issues inherited from Mitsui Mining.

Source: Caserones Corporate Website. https://www.caserones.cl/nuestra-operacion.

It should be noted that Altus participated in this royalty acquisition alongside peer company EMX Royalty Corp, who in the transaction also acquired an effective 0.418% royalty interest in Caserones for the same consideration. EMX has had a foothold in Chile since its purchase of a portfolio of royalty interests from Revelo Resources in March 2020, while core members of the EMX team have years of experience in country. This affords Altus shareholders additional assurance that the acquisition was well-vetted, given that until this point the company's activities had been confined to Africa.

At the current copper price, Altus's effective 0.418% royalty interest at Caserones is set to generate US$3.9m in post-tax royalty income in 2022. This makes it the company's most significant cash flowing royalty asset. The operation currently has a seventeen year mine life, however it wouldn't be surprising to see the mine still producing three or even four decades from now given the scale of the mineralized system and the amount of capital that has already been invested. To this point, JX Nippon announced late last year plans for "stepping up exploration efforts around the mine" in an effort to increase production and further extend the mine life.

Newcrest Royalty Portfolio

Altus's most recent acquisition was a portfolio of royalties from A$20 billion gold miner Newcrest Mining. The transaction, which was announced in mid-December, consists of royalties on two producing gold mines, one near-production gold mine, and up to twenty-one near-term development and exploration stage projects. Twenty-three of these projects are located in Australia, while one is located in Côte d'Ivoire.

The structure of the transaction is somewhat complex as – similar to the Caserones royalty acquisition – Altus teamed up with another royalty vehicle to pull off the deal. In this case, the partner was not EMX but rather AlphaStream Limited. AlphaStream is a "specialist mining royalty and streaming company" backed by the UAE sovereign wealth fund Mubadala. Altus paid a total consideration of US$24m in this deal, and in return received an 80.1% effective interest in the twenty-three Australia-based royalties and a 50% effective interest in the Côte d'Ivoire-based royalty. AlphaStream takes the remainder.

Of the royalties acquired, a 4.5% NSR covering Allied Gold's soon-to-be producing Bonikro Mine in Côte d'Ivoire is the most significant. Bonikro is an open-pit operation that should see initial production within the next few months and is expected to achieve nameplate production of over 100,000 ounces per year in late 2022. The asset has an expected mine life of roughly eight years, though the 4.5% NSR is capped at 560,000 ounces and therefore will only be cash flowing for 5-6 years. The average annual royalty cashflow to Altus over this period is expected to be US$2.4m post-tax.

Also included are two royalties covering the Ballarat and SKO mines in Australia, both of which are underground operations currently in production. The royalty at Ballarat is the more significant of the two. Ballarat is a 50,000 ounce per year mine with a thirteen year mine life operated by Singapore-listed Shen Yao Holdings. The 2.5% royalty is expected to generate roughly US$1.3m per year post-tax. SKO is a 40,000 ounce per year mine operated by Northern Star. The operation has an eighteen year mine life and is expected to generate US$200k per year post-tax for Altus.

Based on the Bonikro, Ballarat, and SKO royalties, Altus is looking at a payback of just over six years for the US$24m it paid Newcrest. This of course does not include upside from any of the twenty-one exploration and development stage royalties also acquired in the transaction. A full list of these pre-production royalties (all based in Australia) can be seen below.

	Asset	Royalty	Location	Operator
1	Munguna (Red Dome)	3% NSR	QLD	Cons Tin Mines
2	Wudinna (Minnipa)	1.5% NSR	SA	Andromeda/Cobra
3	Gidginbung	2% NSR	NSW	Sandfire
4	Zuleika South/Rose Hill	A$10/oz	WA	Northern Star
5	Randalls	$1/oz	QLD	Silver Lake
6	Mt Isa (Brightlands)	2% NSR	WA	GBM / JX Nippon
7	Ashburton	2.5% GSR	WA	Northern Star
8	Bullfinch	10% NPI	WA	Barto Gold Ltd
9	Mulgarrie	1.2% NSR	WA	Zijin
10	Hampton Nickel	A$10/oz	WA	Goldfields/BHP
11	Rosetta	3% NSR	QLD	GBM Resources
12	Cannindah	0.9% NSR	QLD	Cannindah Resources
13	Mount Wall	1% GR	WA	Hancock Prospecting
14	Mertondale	2.0% NSR	WA	Specrez
15	Bill's Find	Sliding scale	WA	Northern Star
16	Kintore	Various	WA	Evolution Mining
17	Mt Success	0.381% NSR	QLD	Resolute Mining
18	Mayfield	2% NSR	QLD	GBM Resources
19	Nupower	0.9% NSR	NT	UAU Pty Ltd
20	Mt Isa (Others)	2% NSR	WA	GBM / JX Nippon
21	Kunanalling	3.64% GR	WA	Evolution Mining

Source: Altus Corporate Presentation. January 2022.

Fifteen of these projects have JORC-compliant resources, while the other six are pre-resource. Project operators include Northern Star, Goldfields, Zijin, Evolution, BHP, JX Nippon, and Silver Lake. Based on plans outlined by the relevant operators, it is expected that a number of these properties will be drilled in 2022. It should be noted that two of these royalties (Bullfinch and Mt. Success) are subject to a ROFR and another seven are subject to a ROFO. As such, it is yet unclear whether Altus will gain ownership of all twenty-one royalties.

Diba Gold Project

Altus acquired the Diba Gold Project in its 2018 acquisition of Legend Gold. Altus owns 100% of Diba on the project level, unlike the Caserones and Newcrest royalties just discussed. The project is located in western Mali, just thirteen kilometers from the Sadiola Gold Mine. Sadiola, in turn, is owned by Allied Gold – a private gold miner backed by Orion Resource Partners. (Interestingly, Allied Gold is also the operator at Bonikro where Altus and AlphaStream hold a combined 4.5% NSR.)

The Diba Project to date has seen roughly 65,000 meters of drilling. The project hosts an NI 43-101-compliant resource of just over 400,000 ounces – comprising 217,000 ounces (4.83 Mt @ 1.39 g/t) in the Indicated category and 187,000 ounces (5.48 Mt @ 1.06 g/t) in the Inferred category. Roughly 61% of this ounce total is oxide material.

While Diba does lack in scale, it is expected to be exceptionally profitable due to a low strip ratio and excellent recoveries of 95% for the oxide material. An updated PEA announced by Altus in November 2020 delivers a pre-tax NPV_{10} of US$184m, a pre-tax IRR of 1680%, and a payback of less than 6 months at $1700 gold. The total capital expenditure for the project would be US$20m in both of the mining scenarios outlined below.

Table 63 – NPV and IRR sensitivity to gold price

Gold Price $/oz	1.5 MTPY		1 MTPY	
	NPV_{10}	IRR	NPV_{10}	IRR
1300	$120,727M	786%	$104,545M	398%
1400	$136,450M	968%	$119,408M	483%
Base case 1500	$152,172M	1176%	$134,271M	578%
1600	$167,894M	1412%	$149,134M	685%
1700	$183,617M	1680%	$163,997M	805%
1800	$199,339M	1982%	$178,860M	938%

Source: Altus Updated PEA Technical Report. SEDAR. November 18, 2020.

While these economics in theory justify a small but highly profitable standalone operation, it is much more likely that at some point we see Diba folded into the Sadiola Mine Plan. Sadiola was purchased for US$50m by Allied Gold in late 2020. The mine has produced over 3.5 million ounces of gold in just the two past decades. However, the mine has been on care and maintenance since 2019 after running out of oxide material.

Allied Gold certainly have interest in the sulphide potential at Sadiola, where a measured and indicated resource of over 6m ounces of gold at 1.9 g/t Au has already been outlined. This however would require an investment upwards of US$400m – in addition to the US$50m already spent by Allied Gold acquiring the asset – and over two years of construction before receiving first cashflow.

This is where Diba fits neatly into play. Were Allied Gold to acquire the Diba Project, it could quickly put the project into production using the oxide processing facilities already in place at Sadiola and generate meaningful cashflow during the Sadiola Sulphide Project (SSP) construction and ramp up periods. Based on Diba's economics and assuming no savings on the US$20m initial capex due to existing infrastructure at Sadiola, Allied Gold could pay US$70-80m for Diba and be entirely justified in doing so.

With this said, the Altus team is not waiting around for a deal and continues to push Diba forward on a standalone basis. A 10,100 meter diamond and RC drill program is currently well underway. The company reported the results for the first two holes (both infill) in early November 2021 – with a headline intercept of 10.2 meters at 21.9 g/t Au. Assays from the remainder of the program can be expected over the coming few months, with an updated resource estimate to follow in Q2 2022.

Before concluding on Diba, recent developments in Mali warrant discussion. The country is in the throes of a political crisis stemming from a 2020 coup d'état. Most recently, the country's military-led transition government delayed an election promised for February 2022 by up to five years. In response, the Economic Community of West African States (ECOWAS) announced aggressive sanctions against Mali – including the closure of land and air borders, as well as the suspension of most commerce and financial aid. The ECOWAS sanctions were announced on January 9th, and it's so far unclear how the transition government will respond.

From an Altus perspective, this evolving situation no doubt limits the chances of a major development at Diba in the near-term. Were Diba a producing mine with the company dependent on it for cashflow, the recent developments in Mali would be of grave concern. This is not the case for Altus, with Diba part of a broader asset portfolio and not subject to any expenditure commitments. As such, in a worst-case scenario, the company can sit on the asset indefinitely until there is more certainty on the political front.

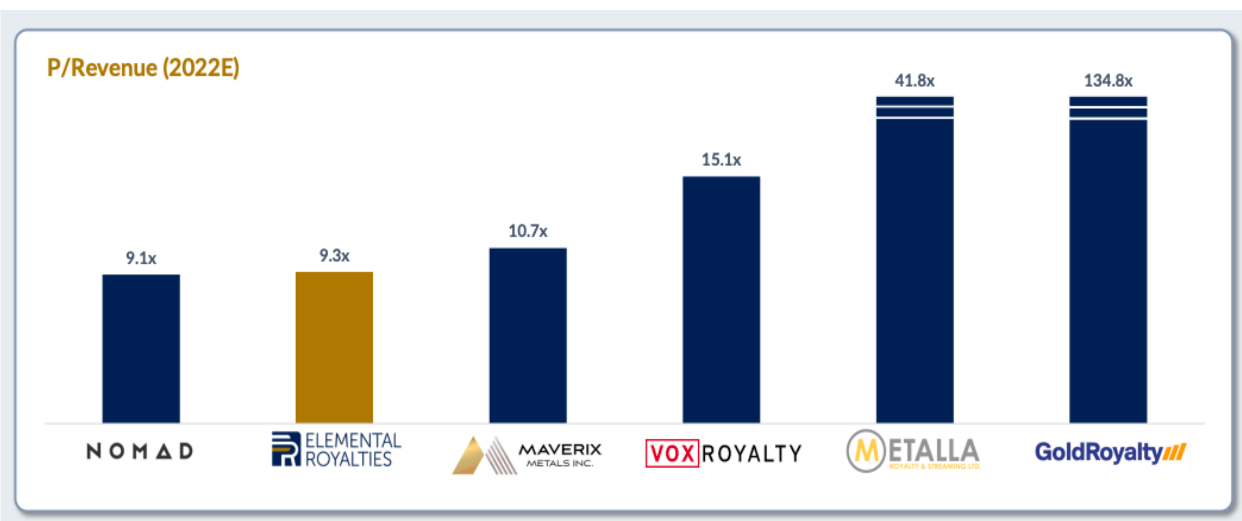
Valuation

With 128.5 million shares, warrants, and options outstanding, Altus is being assigned a fully-diluted market capitalization of approximately US$105m at its current share price.

The enterprise value sits at approximately US$103m, after accounting for the US$25m in debt owed to La Mancha, a cash balance of US$13.3m, expected warrant exercise proceeds of US$11.9m, and marketable securities worth US$2.1m.

For valuation purposes, we will use the book value of the recent Caserones and Newcrest royalty acquisitions. The implied assumption here is that the price paid in each of these acquisitions was fair to both the buyer and seller. While this may be viewed by some as overly simplistic, it doesn't seem reasonable to assign any other value given that both of these acquisitions occurred so recently. Altus paid US$34.1m for its effective royalty at Caserones and US$24m in the Newcrest transaction – or US$58.1m in total.

To put this US$58.1m number into context, Caserones, SKO, and Ballarat are set to generate approximately US$8.5m this year in royalty revenue for Altus. Or put another way, Altus paid a 6.8x multiple on expected 2022 revenue. (This assumes, perhaps conservatively, that Altus does not receive its first royalty check from Bonikro until 2023.) For 2023, the company forecasts revenues of US$12.3m from the existing royalty portfolio which reflects a 4.7x multiple when using the initial purchase price.



Source: Elemental Royalty Presentation. Capital IQ as of Dec. 17, 2021, broker research.

As seen in the above chart courtesy of Elemental Royalties, the combined 6.8x revenue multiple paid by Altus in its two recent acquisitions is not unreasonable relative to the valuations currently assigned to peer companies and would sit comfortably at the lower end. This also provides support to the previous assumption that Altus paid a fair price in its two recent acquisitions.

Then comes the Diba Project, where a risk-adjusted NPV approach is more appropriate given the project's stage and Altus's 100%-ownership. As noted previously, an updated PEA released in November 2020 outlined a pre-tax NPV_{10} of US$184m at $1700 gold. The after-tax figure drops to approximately US$130m once Mali's effective corporate tax rate of 29.5% is incorporated.

Determining an appropriate multiple to apply to this after-tax NPV is more of an art than a science, as one must account for at least four project-specific factors. Two of these factors – including the project's sterling projected economics and immediate proximity to the existing Sadiola Mine – argue for a higher multiple rather than lower. And the other two, which include the project's limited scale and the political uncertainty in Mali, suggest otherwise.

All else equal, were Diba a larger-scale project and not located in Mali, there would be those willing to assign it closer to a 1.0x multiple –even at this stage – given the astronomically high IRR and quick payback. Conversely, a marginally economic project in Mali nowadays would be hard pressed to justify even a 0.1x multiple given the political environment.

At this juncture, we will use a 0.3x multiple of the after-tax NPV to reflect these different dynamics. This suggests that Diba at its present state is worth roughly US$39m to Altus Strategies.

There is of course room for disagreement on this multiple. The two London-based analysts currently covering Altus both use a 0.5x multiple to value Diba – with Shard Capital and SP Angel assigning US$55.2m and US$84m valuations to the asset, respectively. But there are surely other investors that would not be comfortable assigning any multiple at all to a Mali-based asset in this environment. A 0.3x multiple rests comfortably in between these two extremes.

The result is a sum of the parts valuation of just over US$97m when accounting for Diba and Altus's two recent acquisitions. This suggests that the company's US$103m enterprise value is well-justified by these three assets alone. Or put more precisely, the remainder of the Altus portfolio is being assigned a mere US$6m in value and – as will be discussed in the next section – this is where the opportunity lies.

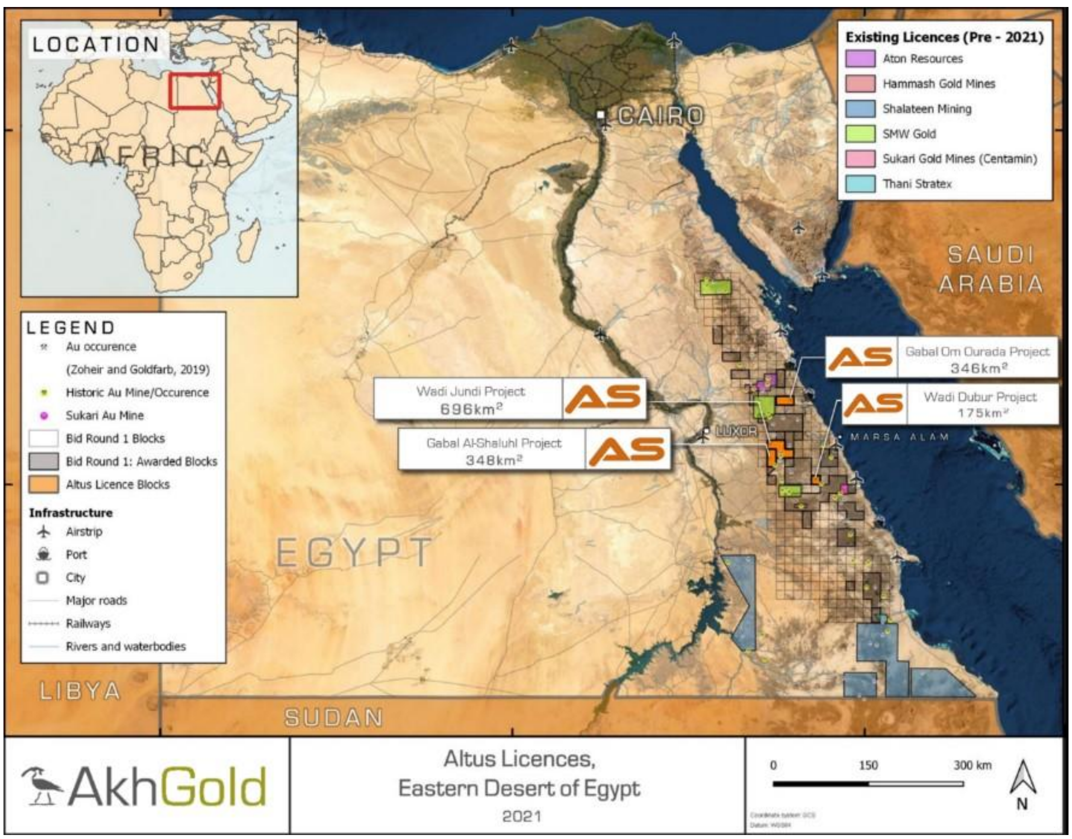
The Forgotten Assets

The rest of the Altus portfolio can be broken down into the following components: (a) a prospective 100%-owned project portfolio in Egypt, (b) 25% ownership of a soon-to-be listed exploration junior, (c) twenty-four pre-production stage royalties in Africa, and (d) a skilled technical team with the wherewithal to organically generate additional royalties. Each will be discussed in brief below.

In January 2021, Altus signed an agreement to acquire four gold license areas totaling 1565km^2 in eastern Egypt. This followed a competitive bid process that attracted significant international interest from the likes of Barrick, Centamin, and B2Gold. Interest stemmed from changes in 2020 to the Egyptian Mineral Resources Act designed to attract new investment to the country's mining sector. Previously, mining projects in the country were subject to draconian profit-sharing agreements and mandatory Joint Venture arrangements with the government. This has now been adjusted to eliminate the mandatory Joint Venture provision entirely, as well as impose reasonable limits on the size of state royalties.

The four licenses acquired by Altus have been named Wadi Jundi, Gabal Al-Shaluhl, Gabal Om Ourada, and Wadi Dubur. Each is prospective for orogenic gold, while VMS potential has also been identified at Wadi Jundi. All four of the licenses are located within 200 kilometers of Egypt's only commercial-scale mining operation, the Sukari Gold Mine operated by Centamin. None of the four licenses have seen modern mineral exploration of any kind. It is these combination of factors – the Nubian Shield geological potential, the proximity to Sukari, and the untouched nature of the licenses – that has the Altus team particularly excited.

Furthermore, the company announced on September 21st the discovery of thirty-seven hard rock artisanal gold workings discovered between the Gabal Om Ourada and Wadi Dubur licenses. This was followed by a November 8th announcement that an additional fourteen hard rock workings had been found at Gabal Al-Shaluhl and Wadi Jundi, with the workings "up to 30 m wide and 100 m long" while "the presence of mechanized machinery at some of these suggests significant gold potential exists".



Source: Altus Strategies News Release. November 8, 2021.

The Egypt project portfolio has the makings of a standalone company. While the company has not yet indicated anything of the sort, it seems likely that we will see one of three things happen in 2022. The first is that Altus decides to drill one or more of the licenses themselves, which is the riskiest (though potentially the most rewarding) of the three options. Alternatively, Altus may spin out the four licenses into a standalone Egypt-focused exploration vehicle while retaining royalties and a large equity stake in the new company. The third route is to bring in a serious partner or two to fund additional exploration in Egypt. In this scenario, Altus would retain royalties and perhaps project-level stakes in each of the four license areas. Given that the market is currently not assigning much (if any) value to Altus's presence in Egypt, it is likely that any of the three scenarios outlined above would serve as a positive share price catalyst.

Moving from Egypt to Morocco, Altus announced on November 22nd that it had reached an agreement to sell fifteen Morocco-based projects to Eastinco Mining and Exploration. The projects, which are primarily copper and silver-focused, have been carefully accumulated by Altus since it entered Morocco in 2017. In return, Altus is set to receive the following: (a) up to 25% of Eastinco and warrants to purchase up to an additional 10% of Eastinco, (b) a 2.5% NSR, with a 1% buyback, on each of the fifteen assets vended to Eastinco, (c) a 2% NSR on Eastinco's flagship Musasa Tantalum Project in Rwanda, (d) a 3% NSR on any new license rewarded to Eastinco in Rwanda within twenty-four months of the deal's close, and (e) a ROFR over any future royalty rights on any project owned by Eastinco.

The deal has not yet closed and requires Eastinco (which will be renamed Aterian PLC) to list on the London Stock Exchange's Main Market in Q1 2022. While there are no guarantees, the listing likely will go ahead given the relatively healthy mining market and the success that other Morocco-based mining outfits – such as Aya Gold & Silver and Emmerson Resources – have enjoyed in recent times. Once this occurs, it will become easier to ascertain the value of Altus's equity stake in Eastinco/Aterian.

This leads to Altus's large portfolio of pre-production stage royalties in Africa. Including the sixteen royalties generated from the Eastinco/Aterian transaction, Altus holds twenty-four such royalties – covering projects in Mali, Cameroon, Ivory Coast, Liberia, Morocco, and Rwanda. Operators include Marvel Gold, Desert Gold, Canyon Resources, Stellar Africa, Avesoro, and Eastinco/Aterian.

Some of the projects are already well advanced, with the Minim Martap bauxite project in Cameroon and Lakanfla/Tabakorole assets in Mali of particular note. (Altus also holds a 20%-free carried interest through a Bankable Feasibility Study at Lakanfla and Tabakorole, with the option to co-fund 20% of construction capex.) A Feasibility Study is expected to be announced at Minim Martap as soon as this month, and there's an outside chance of construction commencing at the project this year. Marvel Gold, meanwhile, is in the midst of a 35,000 meter drill program at Tabakorole – with first results expected later this quarter.

While it's difficult at this point to ascertain the value of these pre-production royalties, this is not to say that they are worthless. This is the nature of early-stage mineral royalties, and the Altus team would contend that these twenty-four royalties have the potential to generate tens of millions of dollars of value over the coming years – at zero cost to Altus.

And finally, there is the geological IP that comes with Altus's management and technical team. Including CEO Steve Poulton and Executive Director Matt Grainger, the company employs twenty-four geologists across its operations – with "boots on the ground" in Mali, Egypt, Morocco, Cameron, and Ethiopia. The technical team is responsible for a wide range of activities, including: (a) advancing the company's 100%-owned projects through early-stage exploration, (b) scouting for new grassroots opportunities to bring into the Altus portfolio, and (c) sourcing and evaluating potential royalty acquisition opportunities.

While it does come with the cost of increased overhead, the robust Altus technical team gives the company a substantial edge over all but a couple of its junior royalty peers. This is especially true when it comes to the continent of Africa, where Altus has been the only game in town for years now when it comes to organic royalty generation. At the current Altus valuation, the market is assigning little to no value to the strength and depth of this technical team – and to the value that it may yet create.

Upcoming Milestones

Provided below are the Altus Strategies milestones that can be expected over the coming year. The most significant of these is a successful ramp up to nameplate production at Bonikro in late 2022. Should this occur, Altus should see its royalty cashflow in 2023 increase by roughly 50% year over year. A strategic decision regarding the company's 100%-owned Egypt project portfolio also has the potential to act as a share price catalyst.

- Feasibility Study announced by Canyon Resources at Minim Martap **by end January 2022**
- Drill results (12,600 meters) announced at Diba **by end Q1 2022**
- Drill results (35,000 meters) announced by Marvel Gold at Tabakorole **by end Q1 2022**
- Aterian PLC lists on the London Stock Exchange **by end Q1 2022**
- Updated Resource announced at Diba **by end Q1 2022**
- Nameplate production of 100k ounces per annum achieved at Bonikro **by end 2022**
- Drilling commences and/or corporate activity at the Egypt project portfolio **by end 2022**
- Construction commences at Minim Martap **by end 2022**

Conclusion

At the current Altus valuation, investors are presented with the opportunity to pay a reasonable price for the 100%-owned Diba Project as well as the recent Caserones and Newcrest royalty acquisitions. The rest of the business – which includes a prospective 100%-owned project portfolio in Egypt, a 25%

ownership stake in the soon-to-be listed Aterian Plc, twenty-four pre-production stage royalties in Africa, and a skilled technical team with the wherewithal to organically generate additional royalties – provides upside largely for free.

Gaining exposure to “free” mineral exploration upside has treated the MJG partnership very well in recent memory. When you take a good team with deep experience in a particular jurisdiction and mix this with some good fortune, the potential value creation can be breathtaking.

That’s not to say that this investment is without risk. Two of the company’s three core assets are in countries where the political winds are blowing against mining. At Diba, Altus is dependent on the situation in Mali stabilizing before it can begin to think about monetizing the asset. And in the case of Caserones, the recent election of the left-leaning, former student activist Gabriel Boric to the presidency has the Chilean mining industry on edge. (That said, the Caserones royalty should be relatively well insulated from potential fallout given that it is already a producing mine and not a development-stage project.) There is also technical risk at the newly acquired Bonikro royalty, where Altus is reliant on Allied Gold to get the operation up and running in a timely manner.

These risks however seem well-justified at the current share price. The heavy board and management participation in the December 2021 financing suggests that key members of the Altus team believe the same. The same applies to La Mancha, with the investment group maintaining its 35% ownership by participating pro-rata in the company’s past two financings while also providing the friendly US$29m loan-facility necessary for Altus to pull off its Caserones royalty purchase in August 2021.

This sends the right signals and, as discussed in the valuation section, the math also checks out. As such, the MJG partnership plans to be particularly patient with this long-held position (unless and until the Altus valuation deviates well above the fair value of the company’s broad portfolio of assets). But at the current time, this is far from the case; hence the MJG partnership’s participation in the most recent Altus placement and continued long-term support.

Featured Investment Updates

Over the course of previous MJG investor letters, *Featured Investment* write-ups have been included for twenty different companies. These write-ups give current and prospective investors a glimpse into the MJG portfolio, while also providing insight into the methodology used to identify undervalued securities. The MJG partnership remains shareholders in seven of these companies, with updates provided for each of these below.

At the end of this section, the *average cost per share* and *exit price* is provided for legacy MJG holdings highlighted in previous letters.

Strategic Resources (TSXV: SR)

Featured In: **July 2021**
Average Cost Per Share: **C$0.29**
Current Market Price (January 17, 2022): **C$0.33**

Strategic Resources has been a MJG holding since October 2020 – when the partnership participated in a C$0.35 placement, which included a C$0.55 half-warrant. Subsequent open market purchases, as recently as July of this year, have lowered the MJG cost basis to C$0.29 per share.

While it's been pleasant to watch the SR share price climb above the MJG cost basis over the past six months, the truth is that this move has not yet been backed up by any significant fundamental developments at the company level. In fact, it's been a notably quiet period for the company – with only two news releases and no promotional activity since Strategic Resources was included as the *Featured Investment* in the most recent MJG investor letter.

The company's November 9th news release does highlight a couple of minor events. The first is that the Joint Metallurgical Testing Program with VanadiumCorp was scrapped after "the vanadium recoveries and the sulphuric acid consumption on the initial test work would not allow the process to be commercially viable in Finland". From the beginning, SR management had tempered expectations about this test work using VanadiumCorp's proprietary VEPT process on material from Mustavaara, so this doesn't come as a particular surprise. As a result, Strategic Resources will proceed with the standard "smelter route" at Mustavaara that was assumed in the company's May 2021 PEA.

SR also announced that it had successfully transferred the existing environmental permits from the Ferrovan Oy bankruptcy estate to the company's Finnish subsidiary Strategic Explorations Oy. This development – which was positive but expected – allows Strategic to submit extension applications for the existing water and environmental permits at Mustavaara. As it stands, the water permit is scheduled to lapse in July 2022 and the environmental permit could lapse as early as July 2023. The company is on track to submit these extension applications to Finnish regulators in Q1 2022 and, if all goes to plan, should receive three-year extensions to these permits by the end of 2022.

Once the extensions are in hand and perhaps beforehand, we can expect SR to announce the initiation of a Prefeasibility Study -- barring a collapse in the vanadium price or a transformational acquisition that completely changes the company's focus. Mustavaara was a past producing mine and, due to the extensive historical data that SR already has in hand, the expected budget to complete a Prefeasibility Study is a meager €1.4m, or just over C$2m.

Included below are the SR milestones expected in 2022. Please note that a small drill program planned for a second-string asset (Silasselka) has been deferred for the foreseeable future.

- Submit applications to extend water and environmental permits at Mustavaara **by end Q1 2022**
- Three-year extensions granted for water and environmental permits at Mustavaara **by end 2022**
- Commence Prefeasibility Study at Mustavaara **by end 2022**

SR's fully diluted market capitalization of C$16m is approaching the C$18m in fair value attributed to Mustavaara in the *Featured Investment* write up. While the value proposition is less compelling than it was when the share price was trading closer to C$0.20, the MJG partnership will be patient with this investment given the quality of both the management team and investor base. That said, there is a point at which we would start taking profits should the share price rise too far above fair value without an accompanying positive catalyst.

Nova Royalty (TSXV: NOVR)

Featured In: **January 2021**
Average Cost Per Share: **C$0.30**
Current Market Price (January 17, 2022): **C$3.49**

Nova Royalty has been a MJG partnership holding since October 2018. The partnership's cost basis sits at C$0.30, including warrant exercises. There has been no Nova buying or selling activity within the MJG partnership since the July 2021 investor letter. If the company can stay lean on the corporate level and avoid straying from its narrow copper and nickel royalty mandate, Nova will remain a fixture in the MJG portfolio for the foreseeable future.

While the latter half of 2021 was a relatively quiet period for the company, there was one consequential development. On August 16th, Nova announced that it had acquired a 1% NSR on the Aranzazu Copper Mine for US$8m in cash and US$1m in Nova shares. Aranzazu is a producing mine located in Zacatecas, Mexico and is operated by Aura Minerals – a C$750m mid-tier copper miner with three producing assets in addition to Aranzazu. This 1% NSR at Aranzazu becomes Nova's first cash flowing royalty and satisfies management's stated intention of acquiring at least one such royalty this year.

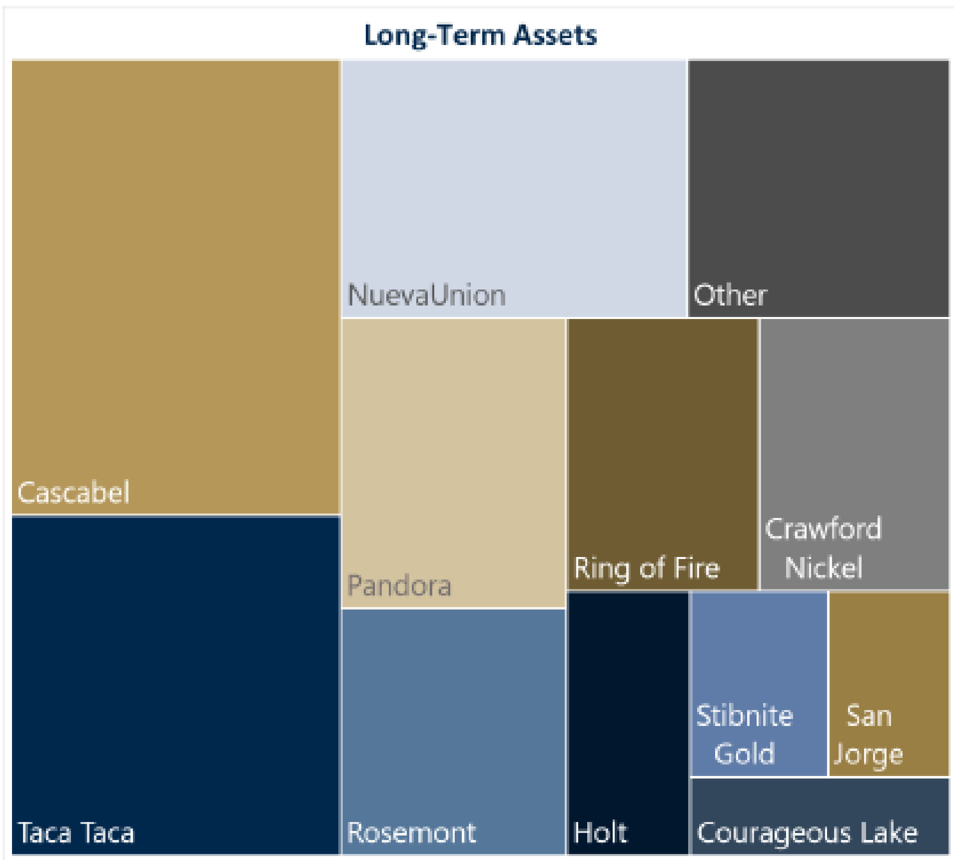
Aranzazu has seen modern production for much of the past sixty years, though there is documented evidence of mining activity in the project area going back to the 1600's. Aura Minerals assumed ownership of Aranzazu in 2010, closed the mine to reengineer and redevelop various aspects of the operation in 2014, and then reopened the mine in 2018. In Q2 2021, Aura announced that it had achieved a throughput expansion of approximately 30% to 100,000 tonnes per month. This was followed by a "record high" in GEO quarterly production in Q3, with Aura guiding for "promising production in Q4'21, considering mining in higher grade areas and 100% commissioned equipment".

This level of throughput implies a remaining mine life of 10.5 years based on Aranzazu's December 2020 mineral resource and reserve estimate of just under 14m tonnes. (Nova is optimistic however that some of this production will be pulled forward, as a monthly run rate of over 150,000 tonnes should be achievable in the next two years.) It should also be noted that Aranzazu's combined reserve and M&I resource is now larger than it was before the mine's restart in late 2018. Should Aranzazu prove to be a worthy comparison to the nearby Cozamin Mine operated by Capstone (where the initial reserve has now been mined five times over), then Nova could be looking at decades of future royalty cashflow.

At its current production rate and spot metal prices, Aranzazu will generate in excess of US$2m in royalty cashflow per annum. This will more than cover the annual G&A budget going forward, putting Nova in the enviable position of never again having to raise capital to financing ongoing operations. That said, the company can be expected to raise capital in the future to finance additional royalty acquisitions.

Nova announced its latest acquisition just last week with the purchase of a 0.135% on the Copper World and Rosemont copper projects in Arizona. Perhaps more importantly, the company was granted a ROFR in respect to an additional 0.54% NSR covering the same area as the royalty purchased. Nova agreed to pay US$1.0 million in cash and US$0.5 million in stock payable at closing, US$1.0 million in cash payable 12 months after closing, and US$3.0 million in cash following the ramp-up of production at either Copper World or Rosemont. With this purchase, Nova joins Franco-Nevada as the two royalty companies with exposure to Copper World/Rosemont.

Both projects are owned by mid-tier base metal miner Hudbay Minerals. The initial discovery at Copper World was only made in late 2020, and last year Hudbay increased its 2021 drill program from a planned 70k feet ($10 million budget) to 200k feet ($34 million budget). The company believes that the seven deposits found thus far at Copper World can be integrated into a larger operation with the nearby Rosemont and will be publishing a PEA in the first half of this year outlining such a scenario. According to Hudbay, a Prefeasibility Study will commence immediately thereafter and should be complete next year.



Source: Franco Nevada Presentation. Slide 26. January 2022.

To speak to the quality and scale of the Copper World/Rosemont royalty, included above is a graphic from Franco-Nevada's most recent investor presentation – with Rosemont listed amongst FNV's top five most significant "long-term assets". It will also hearten NOVR shareholders to see that – between Taca Taca, NuevaUnion, and Copper World/Rosemont – Nova now has exposure to three of the top five most valuable "long-term assets" that Franco-Nevada holds in its portfolio.

Looking forward, Nova has a handful of expected milestones that could serve as share price catalysts. The most significant would be a positive construction decision at First Quantum's Taca Taca Project in Salta, Argentina, over which Nova holds a 0.42% NSR. Based on public statements by First Quantum, a decision should be made on this asset's future in either 2023 or 2024. While it's not included in the milestones below, it would also be logical for Nova Royalty to seek a NYSE listing in the not-too-distant future. This has the potential to serve as a positive share price catalyst.

- Waterton announces sale or strategic funding partner at Dumont **by end Q2 2022**
- PEA announced by Hudbay Minerals at Rosemont/Copper World **by end Q2 2022**
- PFS announced by Los Andes Copper at Vizcachitas **by end 2022**
- Production increase to over 150,000 tonnes per month at Aranzazu **by end 2023**
- PFS announced by Hudbay Minerals at Rosemont/Copperworld **by end 2023**
- PFS announced by Anglo American/Glencore at West Wall **by end 2023**
- First Quantum makes construction decision at Taca Taca **by end 2024**

In the immediate term, the Nova share price will be subject largely to the whims of copper price sentiment (and not company specific fundamentals). This of course is a double-edged sword. It should be noted that Nova Royalty has significantly less working capital coverage than the average MJG holding and, as such, the share price will be subject to significant downside risk when the broader market has its next serious "risk-off" episode (in which case the copper price will invariably experience a healthy drawdown itself). There is no reason why the Nova share price couldn't lose half of its value in such a scenario.

With this firmly in mind, the MJG partnership is prepared to weather any such share price volatility so long as Nova stays lean on the corporate level and doesn't stray from its clear-cut mandate. The company has executed on its strategy flawlessly since the MJG partnership first became investors just over three years ago, which makes it easy to remain patient with this management team led by CEO Alex Tsukernik. The copper and nickel royalty sandbox in which the company is playing is large enough to support another order of magnitude increase in Nova's market capitalization from current levels over this coming decade. This of course will not happen overnight, however it's undeniable that the company has successfully established a credible platform on which to build further.

Tonogold Resources (OTC: TNGL)

Featured In: **July 2020**
Average Cost Per Share: **US$0.05**
Current Market Price (January 17, 2021): **US$0.11**

Tonogold was included as the *Featured Investment* in the July 2020 letter. The company's performance in the eighteen months since has been nothing short of a disaster. In short, Tonogold managed to burn through US$7m in a disjointed and poorly executed drill program between September 2020 and April 2021. The company now finds itself running dangerously low on working capital and has not put out a substantive press release since July 2021.

Regrettably, the company's lack of disclosure prohibits discussion of the specific matters that have plagued the company. But the heart of the issue is that the key Tonogold decision makers have lost the trust of investors through a series of missteps and false promises. The Comstock remains an attractive mineral asset but, unless and until there is a wholesale change of company leadership, progress at the project will remain stalled.

A number of Tonogold shareholders, including the MJG partnership, have taken various actions over the past year to affect change at the company. Unfortunately, up to this point, these efforts have not borne fruit. There is optimism in some quarters that a leadership transition may be drawing near, with Tonogold chairman Robert Kopple suggesting that strategic plans would be forthcoming shortly during the company's virtual AGM held on December 29th. This would be welcome and is long overdue.

There is not much else that can be discussed at this point, other than to say this has very much become a binary situation. A wholesale change of leadership would likely be greeted kindly by the market, as the underlying asset remains prospective and has not been given due justice by the Tonogold team. Conversely, full loss of capital is firmly on the table should changes not be made – and quickly.

Lara Exploration (TSXV: LRA)

Featured In: **January 2020**
Average Cost Per Share: **C$0.65**
Current Market Price (January 17, 2022): **C$0.56**

Lara Exploration was featured in the MJG partnership's January 2020 letter. The position was first initiated at C$0.44 in November 2019. Subsequent purchases, as recently as November 2021, have lifted the MJG cost basis to approximately C$0.65 per share.

An investment in Lara is a bet on an honest, previously successful management team utilizing a high-quality business model (royalty generation via grassroots prospecting) at a reasonable valuation. While this original investment thesis remains intact, the company has plainly stumbled on a couple of fronts in the recent past – with the share price languishing as a result. What makes this doubly frustrating for shareholders is that, despite Lara's acute exposure to copper, the company has failed to capitalize on what has become a nearly two-year copper bull market.

Two issues are weighing on the company. The first is continued underperformance at the Celesta Copper Mine, operated by Tessarema Resources in Brazil's Carajás Mining District. Celesta reached production in July 2020 but has been unable to ramp up to commercial production in the eighteen months since. To my understanding, a second ball mill and extra flotation cells are being added to the processing plant to increase production to nameplate capacity; however, these efforts have been slowed by COVID-related delays. Given a rainy season in Brazil that generally lasts through March, it is unrealistic to expect commercial production at Celesta until Q2 2022 in a very best-case scenario.

Lara owns 5% of Celesta on the project level, holds a 2% NSR covering the project, and is owed upwards in US$800k in late fee payments. At current copper prices, the royalty would generate over US$1m per annum should commercial production be achieved. This would more than cover Lara's annual overhead of roughly US$800k per year.

The second point of concern is the Corina Gold Project in Peru, where Lara owns a 2% NSR and is owed an additional US$3.5m in option payments by the operator Hochschild Mining. Hochschild values Corina due to its close proximity to the Selene Mill, which is set to run low on feed within the next two years. Hochschild had drill rigs turning at Corina for nearly three years running (absent a pause during the early stages of COVID) and announced the project's best drill result of 31.55m grading 4.9 g/t Au and 43 g/t Ag from 200m depth in early 2021.

On November 22nd, however, Hochschild commented on media reports that the Peruvian Head of Cabinet had stated in a meeting that the government would reject environmental permits extensions for Hochschild's Pallancata Mine that currently feeds the Selene Mill. On the same day, Lara announced that drilling at Corina had been suspended and that Hochschild had invoked the force majeure clause under the terms of the Corina option agreement.

While the Head of Cabinet appeared to backtrack just a few days later, there is significant uncertainty on how this will unfold. On December 14th, Hochschild's VP for Legal and Corporate Affairs was quoted in a Reuters article saying that the company expects the environmental permit extensions at Pallancata and the nearby Inmaculada mine to be approved "in the first half of 2022". This would be welcome news for Lara, though it's unclear how quickly Hochschild would remobilize drill rigs at Corina given the delicate situation between Hochschild, the Peruvian government, and local communities. But it's also well within the realm of possibility that the environmental permits are indeed rejected, which would decimate the expected value of Lara's 2% royalty.

Given these adverse circumstances, Lara shareholders no doubt have been asking themselves whether it's worth sticking with the investment. Based on the share price action over the past four months, at least some portion of the shareholder base has thrown in the towel and taken tax losses. The MJG partnership has not been one of these parties due to an implicit trust in Lara's management team to be worthy stewards of our capital, as well as the recognition that Lara has two other irons in the fire capable of changing the company's fortunes overnight.

The first is the Planalto Project where Lara has a 30% free-carry to production. Joint venture partner Capstone Mining is currently funding an ongoing 4350m drill program with two drill rigs currently on site. This program will test the never-before-drilled exploration license to the north of Planalto's existing Homestead deposit that was secured in a March 2021 option deal. Interestingly, in a November 8th news release, the normally understated Lara management team reported that a preliminary inspection of the first hole drilled in this new license appears "very similar to the mafic volcanic sequence hosting the main Homestead discovery". A portion of the drill program's budget will also be dedicated to step out drilling at Homestead, where the best drill hole to date yielded 142m of 0.83% copper.

The second is the long-forgotten Liberdade Copper Project, where Lara holds a 49% project-level interest and a 2% NSR. Liberdade is a compelling asset that has seen intercepts of 197m of 0.72% CuEq and 128m of 0.75% CuEq in historic drilling. The catch is that Liberdade has been embroiled in litigation between Vale and Codelco since 2013, with no work having been done in the interim. Perhaps it is naïve to expect a resolution at Liberdade anytime soon, however objectively this is too promising of a project for the relevant parties not to come to the table in this type of copper price environment. Should reason ultimately prevail, Lara's royalty and project-level exposure to Liberdade could singlehandedly justify the company's current market capitalization.

Provided below are the potential share price catalysts that can be expected in 2022. Assay results from the ongoing 4350m drill program at Planalto should dictate the share price direction in the near term.

- Phase III drill results (4350 meters) at Planalto **by end Q1 2022**

- Environmental permits extended at Hochschild's Pallancata and Inmaculada **by end Q2 2022**

- Commercial production at Celesta Copper Mine **by end 2022**

- Go public transaction for the Bifox Phosphate Project **by end 2022**

Fresh off months of tax loss selling pressure, Lara appears to have limited downside at current levels – with its share price sitting just 14% above its 52-week low and 24% above the lows seen during the panic selling in March 2020. While there is certainly no immutable law of nature saying that the LRA share price can't fall below these levels, it's fair to reason that this recent bout of selling has been largely exhausted as we head into the new year and Phase III drill results from Planalto draw closer. The MJG partnership remains patient with its Lara position, though additional purchases in the near-term are unlikely given an already reasonable 4% weighting within our broader portfolio.

Salazar Resources (TSXV: SRL)

Featured In: **July 2019**
Average Cost Per Share: **C$0.26**
Current Market Price (January 17, 2022): **C$0.29**

Salazar Resources was highlighted in the July 2019 investor letter. The MJG partnership's position in Salazar was first initiated in May 2019 at C$0.16 per share. The partnership's cost basis has increased to C$0.26 after subsequent open market purchases, most recently in October 2021.

The Salazar story remains very much the same, with the company fairly valued for its 25% free-carried stake at the Feasibility-stage Curipamba Project in Ecuador. The rest of the company – including an extensive 100%-owned project portfolio in Ecuador and a geological team with decades of in country experience – are not reflected in the current valuation.

Progress continues apace at Curipamba, with Salazar and its 75% partner Adventus completing two major milestones in recent months. On October 26th, the companies jointly announced the results of the Curipamba Feasibility Study. The Feasibility Study, which took sixteen months from start to completion, focused solely on the initial ten years of open-pit production at the El Domo deposit. (A PEA outlining the underground potential at El Domo was also announced in tandem).

Open Pit Feasibility Study Results	Feasibility Study Base Case	-15% Price Deck	Spot Prices as of October 19, 2021
After-Tax NPV (US$ million, 8% discount rate) [1]	$259	$159	$423
After-Tax IRR (%) [2]	32%	23%	44%
Cumulative First 6 Years of After-Tax Cashflow (US$ million undiscounted)	$495	$391	$664
Initial Capital Cost (US$ M, incl. refundable VAT) [3]	$248		
Total Life of Mine Capital Cost including Closure (US$ M) [4]	$316		
AISC (US$/lb CuEq Basis) [5]	$1.26	$1.23	$1.41
Payback Period (years)	2.6	3.2	2.1
Nominal processing capacity (tpd)	1,850		
Average annual payable production (Years 1 - 9) [6]	Cu = 11 kt		
	Au = 26 koz		
	Zn = 12 kt		
	Ag = 488 koz		
	Pb = 0.5 kt		
	CuEq= 23 kt	CuEq= 22 kt	CuEq= 21 kt
Metal prices assumed	$1,700/oz Au	$1,445/oz Au	$1,766/oz Au
	$23.00 /oz Ag	$19.55 /oz Ag	$23.29 /oz Ag
	$3.50 /lb Cu	$2.98 /lb Cu	$4.72 /lb Cu
	$0.95 /lb Pb	$0.81 /lb Pb	$1.10 /lb Pb
	$1.20 /lb Zn	$0.98 /lb Zn	$1.70 /lb Zn

Source: Adventus Mining News Release. October 26, 2021.

The economic results outlined in the Feasibility Study were solid – with an after-tax NPV north of initial capex, a 32% after-tax IRR, and a 2.6-year payback at reasonable assumed metal prices – though not spectacular. An unexpectedly large jump in the initial capex figure from US$184.5m in the 2019 PEA to US$248m in the Feasibility Study took some shine off the results. Even still, the El Domo deposit remains one of the highest-grade undeveloped copper deposits globally and, given its advanced stage of development, has a legitimate chance of being built this cycle. This however will hinge on whether the two partners (or any future acquirer) are able to keep local communities onside while successfully navigating the remainder of the permitting process.

To this point, the partners announced on November 18th the completion of the Environmental and Social Impact Assessment (ESIA) at Curipamba and its submission to regulators. This culminated over two years of environmental, community, and engineering activities at the project, and starts the clock on the environmental licensing process with the Ecuadorian Ministry of Water, Environment, and Ecological Transition. The partners expect to receive ESIA approval sometime in 2022, and separately to sign an investment agreement with the government as soon as this quarter.

Just hours before this investor letter went to press, Adventus and Salazar jointly announced a US$235.5m construction financing package at Curipamba with Wheaton Precious Metals and Trafigura. This means that (a) 95% of Curipamba's capital cost is now spoken for and (b) 90% of the total financing package will be non-equity. The terms appear to be quite favorable with a cost of capital of below 10%. In return, Wheaton Precious Metals is granted streams on gold and silver production, while Trafigura secures the LOM offtake rights for Curipamba. While it should be emphasized that the project still needs both an investment agreement and ESIA approval before it can advance to construction, this wholehearted endorsement by Wheaton Precious Metals and Trafigura will likely be greeted favorably by the market.

Salazar's partner Adventus Mining carries an enterprise value of approximately C$128m at its current share price of C$1.02. While Adventus does have some non-core assets in Ireland, practically all of this value can be attributed to Adventus's 75% ownership stake at Curipamba. It follows that Salazar's 25% share of the project should be worth approximately one-third that amount, or C$43m. (This assigns no value to Salazar's free-carry to production, which is perhaps overly conservative.) Salazar's enterprise value sits at roughly C$39m – suggesting that the valuation being assigned by the market is fully accounted for by Curipamba.

This leaves the rest of the Salazar project portfolio, which has been painstakingly assembled over the past two decades by CEO Fredy Salazar. It is true that progress on Salazar's 100%-owned projects has been slower than anticipated. This time last year the company told investors to expect drill results from Los Osos, Rumiñahui, and Los Santos by year end 2021, but have only delivered on Los Osos. While drilling is underway at Rumiñahui, it is unlikely that we see first results until later this quarter.

This lack of follow through (on what were admittedly ambitious plans) stemmed from water permit delays and extra caution regarding community relations. While these are palatable reasons to delay a drill program, the company clearly needs to do a better job of setting reasonable expectations and then following through on them.

There is some concern of a repeat in 2022, with Salazar stating in its most recent presentation that four projects – Rumiñahui, Los Santos, El Potro, and Macara Mina – are set to be drilled this year. It is encouraging that the company is well on its way to achieving half of this goal, with drilling ongoing at Rumiñahui and company-owned drill rigs expected to mobilize at Los Santos later this month. Both Rumiñahui and Los Santos are copper-gold porphyry targets; neither has been drill tested before.

Provided below are the expected Salazar milestones over the coming twelve months. A discovery at any of the company's four 100%-owned projects set to be drilled this year would undoubtedly serve as a share price catalyst. At Curipamba, the most immediate step is an investment agreement between the partners and the government of Ecuador.

- Drill results (3000 meters) at Rumiñahui **by end Q1 2022**
- Investment Agreement signed at Curipamba **by end Q1 2022**
- Drill results (1200 meters) at Los Santos **by end Q2 2022**
- Drill results (2500 meters) from Adventus at Santiago **by end Q2 2022**
- Drill results at El Potro **by end 2022**
- Drill results at Macara Mina **by end 2022**
- ESIA approval at Curipamba **by end 2022**

Before concluding, recent developments in Ecuador warrant mention. In early December, Ecuador's Constitutional Court upheld a lower court ruling that invalidated the existing environmental permits at the Rio Magdalena Project. (Rio Magdalena is owned jointly by Ecuador's state-owned mining company ENAMI and the prospect generator Cornerstone Capital). The Constitutional Court's ruling hinged on the fact that "bosques protegidos" – forests formally declared "protected" by the Ecuador government – overlapped with parts of the Rio Magdalena mineral license. The court in essence ruled that the rights of the protected forest had been violated by the mining exploration activities undertaken by Cornerstone and ENAMI. The two mining companies were ordered to leave the area immediately, as well as pay reparations. The existing environmental permits for Rio Magdalena were also revoked.

While this court ruling only directly affects ENAMI and Cornerstone at Rio Magdalena, it could well have larger repercussions for the Ecuador mining industry. The Ecuadorian Chamber of Mines has criticized the ruling on multiple fronts, including (a) the retroactive nature of the ruling, (b) the unilateral expansion of bosques protegidos into areas previously zoned as mineral concessions, (c) the risk that this precedent exposes the government of Ecuador to international litigation, and (d) the doubt it casts on the validity of the Environmental Ministry and any permits that it grants. Needless to say, the Constitutional Court's decision also negatively impacts investor perception of Ecuador as a whole.

It should be acknowledged that there are additional challenges faced by those operating in Ecuador beyond the recent Constitutional Court ruling, including (a) a government without a meaningful majority making legislation difficult, (b) a motivated and organized environmental opposition, and (c) a strong indigenous political party that is broadly anti-mining. Advancing mineral projects within the country will continue to be difficult.

With this said, if there is one mining group in Ecuador with the wherewithal navigate these challenges, it is Salazar Resources – with its well-respected management team led by an Ecuador national and its multi-decade track record in country. Salazar and its partner Adventus expect Curipamba – which is not impacted by protected forests – to be the next mine built in Ecuador and for the government to award the requisite permits to allow the project to advance during 2022.

The MJG partnership plans to give Salazar and Adventus a chance to deliver on this guidance. And as the market awaits a resolution on this unanswered permitting question, Salazar shareholders get up to four "shots on goal" before year end with the drilling planned at Rumiñahui, Los Santos, El Potro, and Macara Mina.

Adriatic Metals (ASX: ADT)

Featured In: **January 2019**
Average Cost Per Share: **A$0.96**
Current Market Price (January 17, 2022): **A$2.60**

Adriatic Metals was featured in the January 2019 investor letter. The position was first initiated in September 2018 at A$0.39 on the heels of the Rupice discovery hole. The MJG partnership added modestly to the position in July 2022, which has raised our cost basis to A$0.96 per share. The Adriatic team has executed brilliantly to date, while the price-to-value proposition at the current share price remains compelling. As such, the MJG partnership continues to comfortably hold its ADT position.

While it hasn't been reflected in the share price, the past six months have been a superb period for Adriatic – with the company receiving its Exploitation Permit at Vares, announcing a Feasibility Study, and securing its construction financing package all in quick succession. The receipt of the Exploitation Permit was covered in the previous MJG investor letter, so we will focus on the latter two milestones.

Adriatic announced the results of the Vares Feasibility Study in mid-August. As expected, the project economics were largely in line with the 2020 Prefeasibility Study and remain exceptional. While the headline numbers improved modestly, it should be noted that the company assumed a 4% higher silver price and a 20% higher zinc price than in the Prefeasibility Study. But irrespective of assumed metal prices, Vares is set to be an extremely profitable mine with enough scale (US$1 billion after-tax NPV_8 and over a decade of mine life) to matter.

	2021 DFS	2020 PFS
Post-tax NPV_8	**US$1,062 million**	US$1,040 million
Post-tax IRR	**134%**	113%
Initial Capital Cost*	**US$168 million**	US$173 million
Payback period	**0.7 years**	1.2 years
AISC	**US$7.3 / AgEq oz**	US$9.7 / AgEq oz

Source: Adriatic News Release. August 19, 2021.

Encouragingly, the Feasibility Study also simplified the project's scope – including the removal of the brownfields Veovaca deposit from the mine plan and also the elimination of a proposed barite concentrate from the flowsheet. The company also accelerated planned production rates at the Rupice high-grade core to frontload expected cashflows. This does result in the mine's head grade dropping off significantly in year seven of production, however Adriatic management is confident that this can be remedied by the discovery of additional high-grade mineralization in the northwest extension of Rupice and/or elsewhere on the broader Vares land package over the coming months and years.

Just eight weeks after the release of the Feasibility Study, Adriatic and Orion Resource Partners announced a US$142.5m debt financing package comprised of US$120m in senior secured debt and a US$22.5m copper stream. In conjunction with the Orion Debt Package, the company raised US$102m in equity at A$2.80 per share – with Orion taking US$50m of the total equity raise. Final closing of the Orion Debt Package occurred just last week on January 9th, and the first draw down is expected in Q2 of this year. This leaves Adriatic with sufficient capital to both (a) build the Vares Project and (b) dedicate A$20m to exploration in 2022.

Adriatic is wasting no time after closing with Orion. The company expects to commence the lower portal box cut at Rupice this month and to break ground on the processing plant in March. First production is now expected in Q2 2023. This date has slipped from the company's previous goal of first production in late 2022 due to the permitting process taking six months longer than originally anticipated.

Adriatic also remains busy on the exploration front, with 2022 set to be the biggest year to date in terms of meters drilled at Vares. Three drill rigs are currently stepping to the northwest of the existing Rupice deposit. The most recent batch of drill results – which included a 24.7m intercept grading 514 g/t AgEq – suggests that Adriatic have latched onto either a northwest extension of the Rupice deposit or perhaps a new zone. The company's next batch of drill results, which can be expected later this quarter, should provide more clarity and has the potential to serve as a share price catalyst.

Provided below are the Adriatic Metals milestones expected between now and first production at Vares. Milestones for the company's Serbian assets are also included, though the market shouldn't expect any updates on this front until after Serbia holds its federal elections in April 2022.

- Additional exploration drill results announced at Vares **by end Q1 2022**
- Break ground on processing plant at Vares **by end Q1 2022**
- Announce offtake partner(s) at Vares **by end Q1 2022**
- Maiden JORC Resource Estimate at Raska **by end Q2 2022**
- Scoping Study announced at Raska **by end 2022**
- First production announced at Vares **by end Q2 2023**

From a valuation perspective, Adriatic remains an attractive proposition even after accounting for the dilution incurred in the construction financing package. At its current share price and assuming zero value to the Serbian assets, the market is assigning the Vares Project an implied value of approximately US$550m after accounting for the Orion debt and Adriatic's hefty cash balance.

With construction now underway, a 0.8x multiple on the Vares after-tax NPV – or roughly US$850m – is well justified given the project's exceptional economics and the multiples received by other high-quality silver development peers. (Please note that this multiple would expand to 1.0x, if not higher, should the company achieve first production in a timely and cost-effective manner.)

This suggests that ADT shares have 55% upside from current levels to just over A$4.00 per share before the company approaches a fair valuation for its current stage of development. Barring exceptional circumstances, the MJG partnership plans to hold its full position in Adriatic until this share price level has been breached.

Sama Resources (TSXV: SME)

Featured In: **January 2018**
Average Cost Per Share: **C$0.13**
Current Price (January 17, 2022): **C$0.14**

The MJG partnership first initiated a position in Sama Resources via a private placement in late 2016. We've continued to add to our SME position in recent months between open market purchases and the exercise of a batch of C$0.15 warrants in early December. Sama has underperformed the overall MJG partnership by a substantial margin in the five years that we've owned it and, up until this point, has been a failed speculation.

With this said, Sama remains a MJG partnership holding because it continues to check the key boxes that we look for in an investment. First, there's the experience and competency of the people involved – including Marc-Antoine Audet and Benoit La Salle on the Sama side of the ledger, as well as Robert Friedland and his team at earn-in partner Ivanhoe Electric.

There's the scale of the opportunity on the project level – with Sama potentially on its way to defining 100 million tonnes of open-pittable nickel sulphide mineralization between Samapleu and Grata, not to mention the world-class exploration potential provided by the company's district-scale Ivory Coast land package.

There's also the minimal risk of share dilution, the bane of existence for the typical resource junior. Sama has not conducted a private placement since the spring of 2018 and has no reason to do so for at least a few more years.

And perhaps most importantly – particularly in this frothy market environment – Sama shareholders are afforded limited, quantifiable downside due to the company's substantial share position in graphite junior SRG Mining (TSXV: SRG). At current share prices, the market value of the 24.8 million share SRG position covers well over half of Sama's fully-diluted market capitalization of C$34m. Add in the company's ~C$2m cash position, a loan receivable for C$750,000, and 8.5 million shares of Seahawk Gold (transaction still pending), and we are looking at 75% coverage of Sama's fully diluted market capitalization. This suggests a particularly attractive risk-reward profile at present.

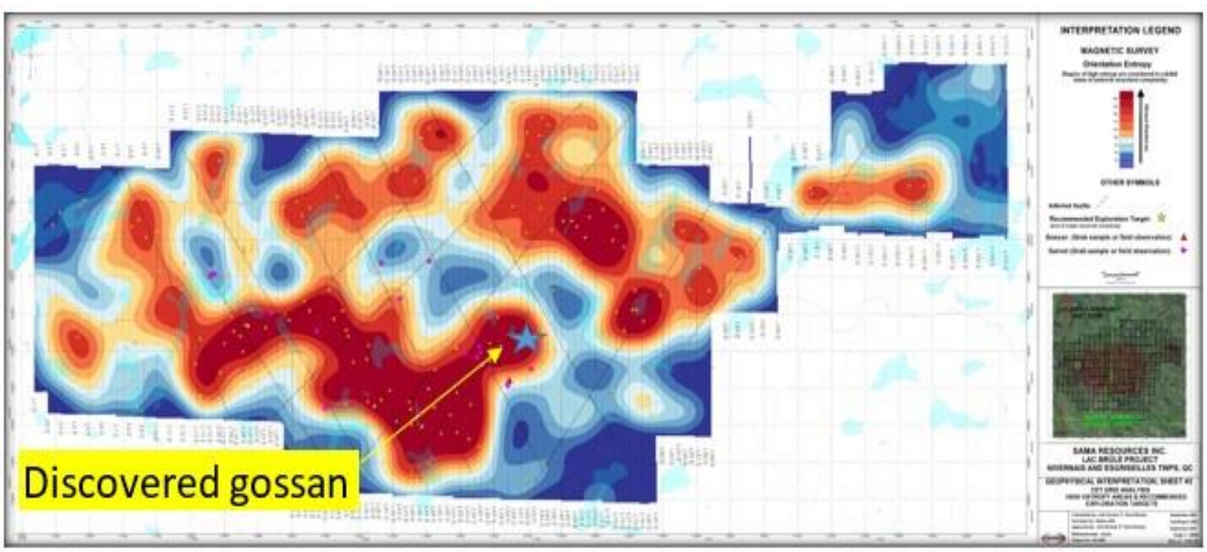
From a news flow perspective, the company had a quiet second half to the year with only a couple substantive news releases. On September 2nd, the company announced that Ivanhoe Electric had met the C$15m funding threshold specified in the Joint Venture agreement. This gives Ivanhoe Electric a 30% interest in the Ivory Coast JV – with the ability to take this interest up to 60% by sole funding an additional C$10m in expenditures.

In the same news release, Sama also provided an update on drilling activities at both Yepleu and Grata. The drill results at the highly prospective Yepleu target – which Marc-Antoine considers to be the center of the intrusive feeder system responsible for the nickel accumulations identified across the property –

were technically promising; however, the “Hollywood discovery hole” that SME shareholders have been waiting for remains elusive. A wedge from the closest hole to the 20,000 CT target at Yepleu, which is the strongest EM anomaly on the property, was completed in late 2021. Assays from this hole can be expected in late Q1 2022.

The drilling at Grata, meanwhile, has exceeded expectations – with the company describing the results as the “discovery of a new mineralized sector” in a recent news release. Grata sits just five kilometers to the east of the Samapleu deposit, which itself has an existing M+I+I resource of just over 50 million tonnes grading roughly 0.25% NiEq. There are two drill rigs turning at Grata currently, with the next round of drill results likely to be released later this quarter. It is still early days at Grata but there is optimism that it could be as big, if not bigger, than the neighboring Samapleu. Should this play out, we would be looking at a 100 million plus tonnes combined resource – right at a time where low grade nickel sulphide projects are coming into style. A Prefeasibility Study is expected for Samapleu later this year and, if drilling progresses favorably at Grata, it stands to reason that it may be integrated into the PFS.

In early November, the company announced the completion and interpretation of a UAV magnetic and radiometric survey over the recently staked Lac Brulé nickel-copper property in Quebec. As seen in the below image, a CET analysis of the UAV dataset has generated a handful of drill targets in the vicinity of the discovered gossan (which returned XRF Niton results of up to 0.52% Ni and 0.58% Cu during initial assessment). The land package, which has never been drilled, may be ready for an initial program in the coming year.



Source: Sama News Release. Nov 2, 2022.

Rather than drilling Lac Brulé itself, the company intends to either find a partner for the project or spin the project out into a standalone entity. This is a wise game plan given that Lac Brulé is both non-core and extremely early stage, not to mention that Sama’s capacity to avoid additional share dilution for a number of years is a key selling point to the current investor base.

Included below are the potential share price catalysts that Sama shareholders can expect over the coming year. Given the company's outsized ownership position in SRG Mining, major milestones expected at the Lola Graphite Project have been included as well.

- Drill results from recent drilling at Grata and Yepleu **by end Q1 2022**
- Deal closes with Seahawk Gold for Liberia project portfolio **by end Q1 2022**
- Spin out or earn-in deal with partner announced at Lac Brulé **by end Q2 2022**
- Prefeasibility Study announced at Samapleu **by end 2022**
- Final offtakes + construction financing package announced at SRG's Lola Project **by end 2022**

It should be noted that there is uncertainty on whether the Seahawk Gold transaction, which has been pending for eight months, will ultimately close. The same can be said of a construction financing package – which is now two years overdue – at SRG's Lola Project, as well as the potential for corporate activity at Lac Brulé. Of these three, news of a financing package or a marquee offtake agreement at Lola would of course be most impactful to SME shareholders.

The company does have more control over the timing of the Prefeasibility Study at Samapleu, though the key variable is whether ongoing drilling at Grata continues to bear fruit. Should Grata be excluded from the study, it's likely that a Prefeasibility Study could be ready for release in the first half of this year. But should Grata prove exciting enough to justify inclusion, we would be looking at second half 2022 at the earliest given that it's still pre-resource. In this rare circumstance, a delay would be good news for Sama shareholders. We should have more clarity on this front in the coming few months.

Featured Investments (Since Sold)			
Company	**Featured In**	**Average Cost Basis**	**Average Exit Price**
Golden Valley Mines (TSXV: GZZ)	July 2018	C$6.22	C$12.56
Ardea Resources (ASX: ARL)	July 2017	A$0.58	A$0.30
Viscount Mining (TSXV: VML)	January 2017	C$0.33	C$0.29
Excelsior Mining (TSXV: MIN)	July 2016	C$0.24	C$0.66
Golden Arrow Resources (TSXV: GRG)	July 2016	C$0.24	C$0.76
Almadex Minerals (TSXV: DEX)	January 2016	C$0.16	C$1.62
Quintis Limited (ASX: QIN)	July 2015	A$1.16	A$0.00
Nevsun Resources (NYSE: NSU)	January 2015	US$2.45	US$4.42
Tsodilo Resources (TSXV: TSD)	July 2014	C$0.86	C$0.71
Lithium Americas (TSX: LAC)	January 2014	C$1.20	C$12.70
Phoscan Chemical Corp (TSX: FOS)	July 2013	C$0.29	C$0.32
Soltoro Ltd (TSX: SOL)	July 2013	C$0.48	C$0.20
South Boulder Mines (ASX: STB)	July 2012	A$0.48	A$0.28
Northern Graphite (TSXV: NGC)	January 2012	C$0.97	C$0.80

Important Disclosures

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