MJG Capital

To:	MJG Capital Limited Partners
From:	Matt Geiger
Date:	January 23, 2023
Subject:	2022 Second Half Review

Below is set forth MJG Capital Fund, LP's performance through December 31, 2022.

<u>6 Month Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	(1.63) %
S&P 500 (with dividends included)	2.31 %
S&P/TSX Venture Composite Index	(7.61) %
<u>1 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	(22.03) %
S&P 500 (with dividends included)	(18.11) %
S&P/TSX Venture Composite Index	(39.28) %
<u>3 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	73.91 %
S&P 500 (with dividends included)	24.79 %
S&P/TSX Venture Composite Index	(1.26) %
<u>5 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	89.38 %
S&P 500 (with dividends included)	56.88 %
S&P/TSX Venture Composite Index	(32.97) %
<u>10 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	31.78 %
S&P 500 (with dividends included)	226.54 %
S&P/TSX Venture Composite Index	(53.29) %
<u>Performance Since Inception (9/1/11)</u>	
MJG Capital Fund, LP (net of all fees and expenses)	(3.36) %
S&P 500 (with dividends included)	293.78 %
S&P/TSX Venture Composite Index	(68.50) %

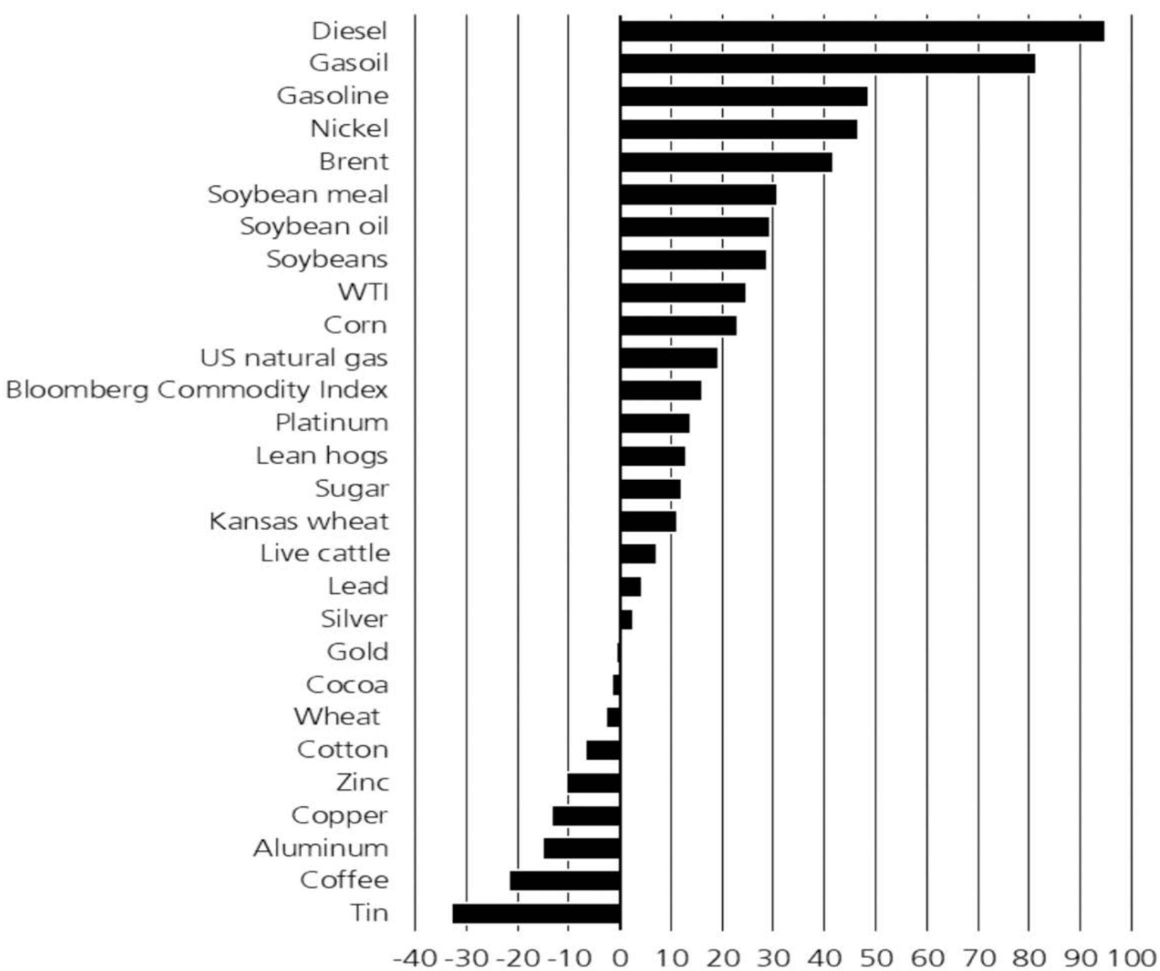
Note: All returns for MJG Capital partners are estimated and subject to the completion of an audit at a future date. The returns for each limited partner may vary depending upon the timing of their individual contributions and withdrawals.

Introduction

The MJG partnership was formed roughly eleven 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.

The partnership's investments experienced a choppy second half of 2022 – with a 1.63% decline net of fees and expenses over the period. This becomes the first time since 2018 that we've seen the portfolio decline in consecutive six-month reporting periods.

From a performance perspective, the past year in the commodity markets was characterized by three overriding trends. The first was the stark outperformance of hydrocarbons over other commodities – and in particular the metals. The below graphic displays the 2022 returns of the various components of the Bloomberg Commodities Index (BCOM), which itself returned 13.7% on the year.



Source: "Best Performing Commodities In 2022". Giovanni Staunovo. Dec 31, 2022.

The outperformance of diesel, gas oil, gasoline, brent crude, WTI crude, and US natural gas is plainly evident relative to the BCOM as a whole. (Coal, were it included in the BCOM, would have topped the list at +138% for the year). In contrast, nickel was the only metal to outperform the overall index – with lead, silver, gold, zinc, copper, and tin ranging from flat to down sharply on the year. (Lithium, though not included in the BCOM, was the other notable outlier metal alongside nickel – with carbonate prices nearly doubling over the course of the year.)

As stated in the July 2022 letter, the MJG partnership *"has eschewed oil and natural gas investments since its inception while homing in almost exclusively on hard-rock mining. This has worked to our benefit in past years (most recently in 2020) and may also pay dividends over the course of this decade as global decarbonization efforts push metal-intensive alternatives to hydrocarbon-based power generation. But the truth is that energy and metals are highly correlated historically over any reasonable timeframe and will likely continue to be so. With this said, there are occasional periods where their fortunes diverge sharply."*

This is exactly what we saw over the course of 2022. As such, despite beating the TSX Venture handily, the MJG partnership will have underperformed most any other commodity-focused investment alternative with exposure to energy (oil, natural gas, and/or coal) over this period.

The second trend, more specific to metals, is the underperformance of mining equities relative to their underlying metals. While this will often prove to be the case in "risk off" environments, the scale of the underperformance – particularly with gold-focused companies – was significant. While far from an exhaustive list, a handful of illustrative data points include:

- The share prices of ASX-listed gold miners with market capitalizations greater than A$150m fell by 32% on average in 2022, despite the physical gold price ending the year essentially flat in USD terms. (Austex Resource Opportunities)

- The SILJ junior silver miners ETF fell roughly 16% for the year, while the silver price itself increased by just under 3% in 2022.

- The share prices of ASX-listed nickel companies fell roughly 18% on the year, despite the LME nickel price rising by nearly 45%. (Austex Resource Opportunities)

- The URNM uranium equities ETF fell roughly 12% in 2022, while the spot price for physical uranium increased by just under 10%.

The third of these trends was the stark outperformance of the larger, more liquid miners relative to smaller and more speculative peers. This is to be expected in "risk off" environments, as investors favor established players with lower risk profiles and lower costs of capital. One need not look further than the GDX's outperformance of the GDXJ – or the gulf in performance between the TSX Global Mining Index and the far more speculative TSX Venture – to see that this held true in what was a turbulent 2022.

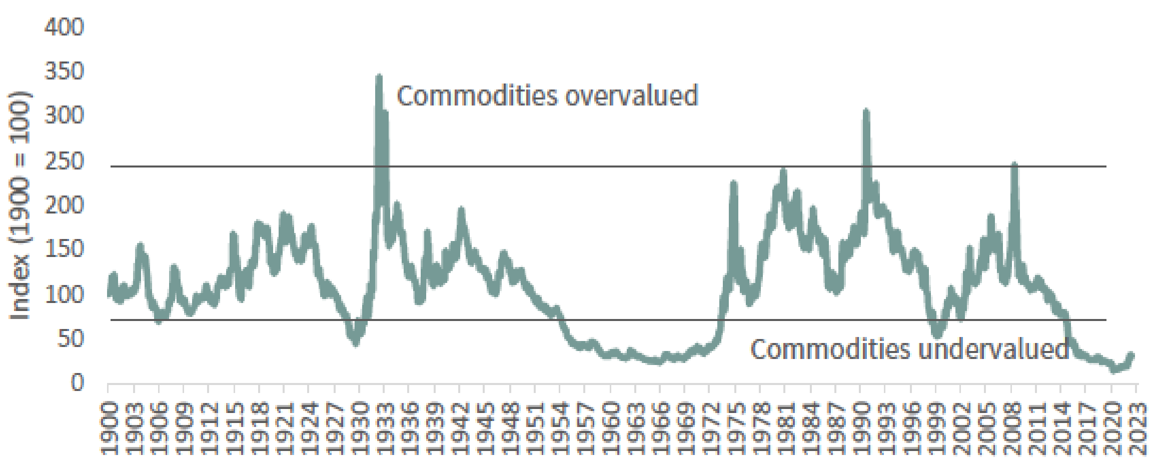
The MJG partnership frankly found itself on the losing end of each of these trends – given that we eschew hydrocarbons in favor of hard rock mining, invest in mining equities and not the physical metals, and focus on the junior end of the mining spectrum (with the median market capitalization of MJG holdings approximately C$40m). 2022 proved to be an unkind year to a junior mining portfolio.

We stay the course, however. There are no plans to enter the hydrocarbon arena, shift to physical metals over metals equities, nor move upmarket to larger more liquid names. In time, the forces which hampered performance in 2022 will decisively swing back in our favor. And when this occurs, the MJG partnership will catch it flush – in a manner reminiscent of 2016 (+94.51%), 2019 (+75.91%), and 2020 (+113.20%). Predicting the exact timing of this swing is of diminished importance, given the long-term investment horizon with which we operate.

It would be remiss not to mention the green shoots showing in the early weeks of 2023. After more than two years of pain, precious metals and the associated mining equities seem to have decisively bottomed in early Q4 2022. The China reopening narrative has propelled GDP-linked metals to a flying start to the year, with copper prices (up over 10% YTD) just one of many examples. And we are seeing characteristic New Year's optimism in full force, with many junior mining equities – including half a dozen or so within the MJG portfolio – up double digits in percentage terms since the turn of the year.

Irrespective of how 2023 plays out, we will not lose the forest for the trees. The long-term outlook for natural resource investments remains highly favorable. As seen in the below chart courtesy of Goehring & Rozencwajg, the commodity complex remains exceptionally cheap by historical standards when compared to the broader stock market. This same conclusion is borne out across a host of additional relative comparisons.

FIGURE 1 Commodity Prices / Dow Jones Industrial Average



Source: Bloomberg & GR Models.

This does not preclude there being further pain – and perhaps acute pain—ahead. It does, however, suggest that those invested in natural resource equities and willing to think in multi-year time horizons will be rewarded handsomely. They key risk at this stage is being shaken from one's convictions should the market volatility evident in 2022 persist into 2023 or even 2024.

This letter's *Market Musings* discusses the marked shift in federal government involvement in mining in both the United States and Canada, as well as the potential implications for mining investors.

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 eighteen publicly traded positions and one private investment in the portfolio.

This letter's *Featured Investment* is Bravo Mining (TSXV: BRVO). Updates on the following seven MJG investments featured in previous letters are also included: Star Royalties, Elemental Altus, Strategic Resources, Nova Royalty, Lara Exploration, Adriatic Metals, and Sama Resources.

Market Musings

Biden & Trudeau Go Mining

2022 will be remembered as the year in which federal support for critical mineral extraction in both the United States and Canada finally kicked into high gear. The headlines, many of which permeated the mainstream press, were hard to miss:

- In late March 2022, the Biden administration invoked the Defense Production Act to boost critical minerals supply from within the United States, while also ordering the Department of Defense to consider at least five metals – lithium, cobalt, graphite, nickel, and manganese – as essential to US national security.

- Shortly thereafter, the Trudeau government unveiled a budget proposal in early April 2022 allocating at least C$3.8 billion in cash between now and 2030 to develop a supply chain of critical minerals. This includes C$1.5 billion specifically to "mining infrastructure" investments intended to accelerate the development and lower the economic threshold for remote projects.

- The Canadian federal government concurrently announced a "Critical Mineral Exploration Tax Credit" allowing companies to claim up to 30% of specified exploration expenses as a tax credit when exploring for nickel, lithium, cobalt, graphite, copper, rare earths elements, vanadium, tellurium, gallium, scandium, titanium, magnesium, zinc, platinum group metals, or uranium.

- In early July 2022, the United States Department of Energy announced that it had initiated the process of purchasing domestically mined uranium for a "Strategic Uranium Reserve". The first contracts were awarded just before Christmas.

- Biden signed into law in August 2022 the Inflation Reduction Act, which includes (i) a 10% tax credit for advanced manufacturers who source their critical minerals from within the United States, (ii) a decree that by 2025 no electric vehicle battery may contain critical minerals that were extracted, processed or recycled by a "foreign entity of concern", and (iii) an appropriation of $500m to utilize the Defense Production Act to boost critical mineral supply as announced earlier in the year. Significantly, the Inflation Reduction Act also specified that electric vehicles produced in Canada utilizing Canadian minerals would be eligible for US electric vehicle subsidies.

- In October 2022, the Department of Energy announced the awarding of $2.8 billion in grants stemming from the Bipartisan Infrastructure Act passed in 2021 – including grants to mining companies such as Albemarle Corporation, Piedmont Lithium, Talon Metals, and Syrah Resources.

- The Canadian government ordered three Chinese companies to divest from their stakes in three Canadian lithium juniors (Power Metals, Lithium Chile, and Ultra Lithium) in early November 2022. This was done under the auspices of protecting Canadian national security.

- In early December 2022, Canada's Minister of Natural Resources announced a comprehensive "Critical Minerals Strategy" focused on "opportunities at every stage along the value chain for Canada's 31 critical minerals, from exploration to recycling" – with lithium, graphite, nickel, cobalt, copper, rare earth elements, potash, uranium, and aluminum highlighted as specific metals of interest.

- In mid-December 2022, the Under Secretary of State for Economic Growth, Energy, and the Environment Jose Fernandez stated that the Biden administration was considering "around a dozen" mineral projects outside of the United States for federal financing support from the Export-Import Bank and the Development Finance Corporation.

- Just last week, the Biden administration – via the Energy Department's Advanced Technology Vehicles Manufacturing Loan Program – issued a conditional commitment for a $700m loan to help fund the construction of the Rhyolite Ridge Lithium-Boron Project in Nevada (jointly owned by Ioneer Ltd and Sibanye-Stillwater).

A Perfect Storm

It's fair to say that this level of direct and coordinated federal support for mineral extraction in North America rivals anything seen in the post-World War II era, and it is occurring under two left-leaning administrations no less. Why is this happening and why now?

Perhaps the most significant factor is the increasing economic competition between the West and China, which began in earnest during the Trump administration. A bipartisan political consensus has emerged in recent years that in order to properly compete, the West must bring manufacturing back onshore while decoupling supply chains from China. The above actions from the Biden and Trudeau administrations are intended to directly address this, though there is room to disagree ideologically on whether the governments should be handpicking specific companies for financial support.

There is also the military angle. For over a decade now, military and national security experts have fretted about North America's utter reliance on potentially unfriendly nations for critical minerals and related supply chains that are necessary for national defense. Until very recently however, there was far more handwringing than action. What appears to have changed is increasingly belligerent rhetoric from President Xi's China coupled with a marked increase in tensions over Taiwan. (There is a good argument to be made that Xi, to the detriment of his country, has overplayed his hand since taking the reins of power just over a decade ago.) And then of course, there is Putin's attempted invasion of Ukraine – which has vividly demonstrated to the western world the clear and present dangers of becoming overly reliant economically on potential bad actors.

Third, while still controversial in some quarters, the concerted global push for decarbonization continues to gain steam. It is becoming increasingly understood that a move away from hydrocarbons is entirely reliant on dozens of minerals that are extracted from the ground. This in part explains why both the Biden and Trudeau administrations have been willing to embrace this pro-critical minerals agenda, despite large segments of their political constituencies being reflexively anti-mining.

Investment Implications

It will take years before the full effects of the above policies become clear. With that said, there appear to be a number of likely implications that are worthy of consideration by mining investors.

1. The most obvious is that this provides a tailwind for exploration and development-stage critical mineral projects located within the United States and Canada. It appears that lithium, cobalt, nickel, and graphite are of particular interest, given the consistent messaging from both governments as well as the specific projects that the Biden administration has thus far selected for funding.

To be clear, critical mineral assets in North America will continue to live or die on their own merits; this isn't a panacea for projects that are not economic or simply won't be built due to intractable social or permitting situations. With this said, potentially viable critical mineral projects should receive a boost through a lower cost of capital – both in terms of increased investor attention stemming from these policies as well as the potential for construction financing support if/when the time comes.

2. These policies will be largely neutral for precious metals assets located within the United States and Canada. Gold has not once been mentioned by either government as a metal of strategic interest. Silver has received little to no airtime either, despite its importance in applications such as photovoltaic solar cells, electric vehicles, and electronics. There is the outside risk that development-stage precious metals assets are de-prioritized from a permitting perspective, though there is no evidence of this to date. In specific cases, mining infrastructure investments may indirectly benefit nearby precious metals projects.

3. The forced lithium divestments ordered by the Trudeau government in November may well be the start of a trend. Even though the action to date has only affected three Canadian-listed lithium juniors, it would not be surprising to see this replicated at a future date for companies with Chinese ownership focused on metals such as cobalt, nickel, graphite, REEs, and/or uranium. Going forward, partial Chinese ownership of Canadian and US listed juniors should be considered a liability.

4. The November actions by the Trudeau government will also lessen the likelihood of Chinese entities emerging as buyers of critical mineral projects held by Canadian or US-listed companies. (Notably, two of the three lithium juniors affected by the November divestment order were focused on projects located outside of North America.) This should be less of an issue for critical mineral projects located within Canada and the United States, given that Chinese acquisitions of mineral assets of any variety in these two jurisdictions have been few and far between over the past decade.

However, this may have a greater impact for US and Canada-listed companies with critical mineral projects located outside of North America. Chinese entities have been active funders and acquirers of Canadian mining firms with assets overseas, with $14 billion spent on investments and acquisitions over the past decade according to Bloomberg. Chinese entities may be more hesitant to pursue acquisitions given the prospect of government intervention, taking a key potential acquirer off the table.

5. The big outstanding question is whether this shift in support towards critical minerals will translate to shortened permitting timelines and/or greater likelihood of federal approval for mining projects. The jury is still very much out. Within the past twelve months, the Biden administration has effectively killed Antofagasta's Twin Metals nickel-copper project in Minnesota while also stymying the Arctic and Bornite copper projects in Alaska by pumping the brakes on the relatively uncontroversial Ambler Road. The promise of financial support only goes so far, permitting – and whether we see adjustments to existing policy – will be the key determinant in whether the critical minerals push in North America is ultimately successful.

Impact On MJG Portfolio

Just under 40% of MJG portfolio is weighted to companies with flagship assets in either the United States or Canada. Of this total, roughly half – or approximately 20% of the overall portfolio – falls into the broader critical minerals basket as defined by the Canadian and US governments. While to date none of these investments have been specifically singled out for financial support by either the Biden or Trudeau administrations, each has the potential to be indirect beneficiaries of the actions outlined above.

The MJG partnership also holds investments in seven Canadian-listed companies with exposure to critical mineral projects located outside of North America. None of these have Chinese partners at the project level. One does have a Chinese entity on its cap table, though the equity stake is relatively insignificant at approximately 7%. This nonetheless should be acknowledged as a risk factor. Also of note is that three of the seven are royalty companies. One could argue that, ironically, the diminished likelihood of a Chinese acquisition is positive for these royalty positions – given that royalty investors prefer the greater transparency and legal certainty afforded by western counterparties.

In total, 47% of the MJG partnership portfolio is exposed to what can loosely be defined as critical minerals. It's important to note that the federal support outlined above does not provide much insight into the immediate future for the pricing of critical minerals and associated mining equities. As investors in this space know, one can be correct about the direction of a given metal over a three-to-five-year time horizon while being very wrong in the immediate term. In the event that the broader markets continue lower, investors with critical mineral exposure are sure to find their convictions tested in 2023.

Overview of Partnership Holdings

The MJG partnership has exposure to different commodities, jurisdictions, and business models. As of December 31st, the partnership held eighteen publicly traded positions and one private investment.

The past six months have been dedicated to concentrating the MJG partnership portfolio, with two new positions more than offset by six liquidations. This was as expected, with the past two partnership letters emphasizing that "the focus over the coming months will be more on subtraction than addition". The MJG portfolio has not been this lean in at least five years, providing capacity to add a handful of new positions over the coming six months should the right opportunities emerge.

There are no surprises from a cash positioning perspective either. The July 2022 letter stated that "should a bear market rally materialize in the second half of this year, an abrupt shift to a cash weighting of as high as 25% could well be warranted. Absent such a move, this cash buffer should be closer to 10% at year-end 2022". While there were a couple distinct bounces in the broader markets in 2H 2022, neither progressed to the threshold (a test of the S&P's 50-week moving average) of what was defined as a bear market rally.

As such, the partnership deployed its cash position gradually – from a 15% to 9% weighting – at a rate that will see us fully deployed by early 2024. This assumes no bear market rally (as defined above) in the interim, in which case a boost of the partnership's cash cushion back into the double digits will be warranted.

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, we continue to monitor our exposure to specific commodities, jurisdictions, and business models to manage risk. The MJG partnership is now 50% weighted towards gold, silver, and PGMs– our highest weighting towards precious metals since 2H 2020. This should serve us well, as it appears increasingly likely that precious metals bottomed in early Q4 2022 after a grinding two-year drawdown.

Also notable is that exposure to Brazil nearly doubled over the past six months and currently sits at 20% of the overall MJG portfolio. This is comprised almost entirely by Bravo Mining (this letter's *Featured Investment)* and Lara Exploration (the January 2020 *Featured Investment*). Given this already outsized exposure to the country, we will not be adding any new Brazil-focused investments for the foreseeable future.

Included below is a snapshot of the MJG partnership's investments as of December 31, 2022.

Allocation by Commodity	
Precious Metals	
Gold	19%
Silver	17%
PGMs	14%
Energy Metals	
Copper	18%
Vanadium	6%
Nickel	4%
Ag Minerals	
Potash	5%
Phosphate	4%
Carbon Credits	
Regenerative Agriculture	4%
Cash (USD)	9%

Allocation by Jurisdiction	
Canada	28%
Brazil	20%
United States	9%
Mexico	8%
Argentina	6%
Australia	5%
Bosnia	5%
Côte d'Ivoire	4%
Chile	2%
Mongolia	2%
Serbia	2%
Cash (USD)	9%

Allocation by Business Model	
Prospect Generation	24%
Exploration	10%
Development	35%
Production	0%
Royalty/Streaming	22%
Cash (USD)	9%

Featured Investment

Bravo Mining Corp (TSXV: BRVO)

The MJG partnership invested in Bravo Mining in early 2022, via participation in a US$0.50 financing alongside BlackRock, Sprott, Stephens Investment Management, Rick Rule, Jeff Phillips, and other strategic investors. The company, which was private at the time of this financing, has subsequently listed publicly and sits at a C$2.27 share price as of January 20, 2023.

Bravo is a single-asset explorer and developer advancing its Luanga Project in the Carajás Mineral Province of Brazil. Despite Bravo's relatively short existence as a company, the Luanga asset itself is already quite advanced – with roughly US$50m of historical work completed by mining giant Vale between 2000-2003 and a historical resource of just over seven million palladium equivalent ounces. This has allowed BRVO to hit the ground running at Luanga since it commenced work roughly twelve months ago.

Put simply, an investment in Bravo is a bet on the right people, in the right place, with the right project. Executive Chairman & CEO Luis Azevedo has stated his intention to build BRVO into a C$2-3 billion company over the next several years. As will be discussed, Luis and the team that he has assembled is tailor-made for the task at hand.

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

Next, the company's flagship asset is discussed in more detail and a valuation is assigned to the Luanga Project.

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

Company Background

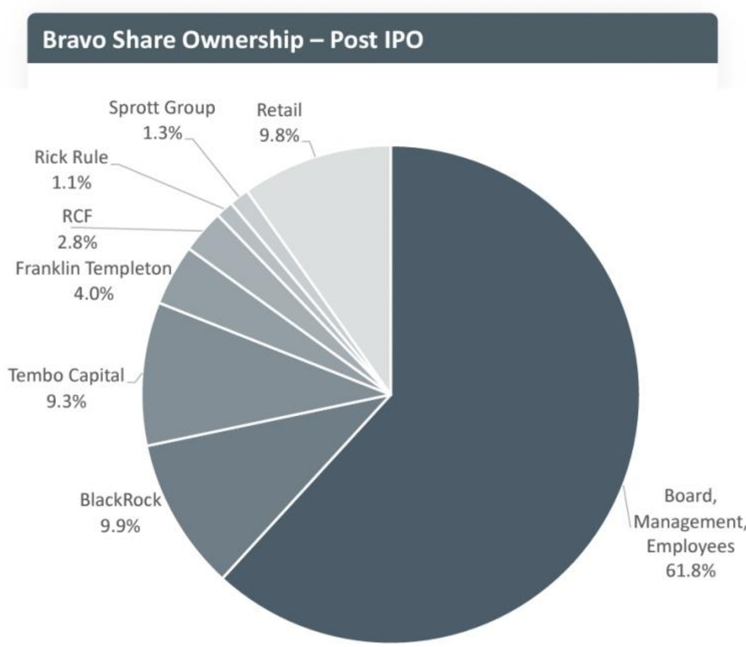
Bravo Mining was formed in 2020 by Executive Chairman & CEO Luis Azevedo. Luis, a Brazilian national, founded FFA Legal Ltda – the preeminent mining law firm in Brazil. (FFA has been directly involved with the permitting process for the last half dozen mines to have gone into production in Brazil.) Luis has also been a founder, executive and non-executive director of numerous exploration, development, and production-stage mining companies in Brazil, with two successful exits already to his name. The first was Rio Verde Minerals, where Luis assembled the assets, listed the company, and engineered its sale to

B&A Mineração in 2013 for $50m. More recently, Luis was a founder, a board member, and the largest shareholder of Avanco Resources – a Carajás-focused copper producer sold to OZ Minerals in 2018 for A$418 million. Bravo is Luis's first major deal post the successful Avanco exit.

Luis is far from alone in this endeavor, however, and has assembled a top-notch board and management team over the past couple of years. Bravo President Simon Mottram, Director Tony Polglase, and CFO Manoel Cerqueira each worked alongside Luis at Avanco Resources – as VP Executive Director Exploration, Founder/Managing Director, and CFO, respectively – and were each integral to its ultimate success.

Another key team member is "Lead Independent Director" Dr. Nicole Adshead-Bell, a highly sought-after mining executive with a unique blend of operational and capital markets experience spanning three decades. (Dr. Adshead-Bell also sits on the board of long-time MJG partnership holding Altius Minerals.) The board is rounded out by Stephen Quin and Stuart Comline, both well-known executives within the industry. Toronto-based Alex Penha serves as an intermediary between BRVO and capital markets as EVP Corporate Development, while VP Technical Services Heinrich Muller has taken the lead on metallurgy and VP Exploration Paulo Ilidio de Brito has managed the company's aggressive drilling campaign.

In total, Bravo board, management, and employees own a remarkable 61.8% of the company – with the aforementioned individuals each holding between C$1.7m to C$3.5m in BRVO shares locked up through Q2 2024. Luis owns just over 50% of the company himself, with the shares held in his own name and fully reporting to the exchange. Needless to say, the full Bravo team is well-incentivized to drive additional value at Luanga in the years ahead; this level of insider ownership is an order of magnitude greater than the typical junior mining developer.



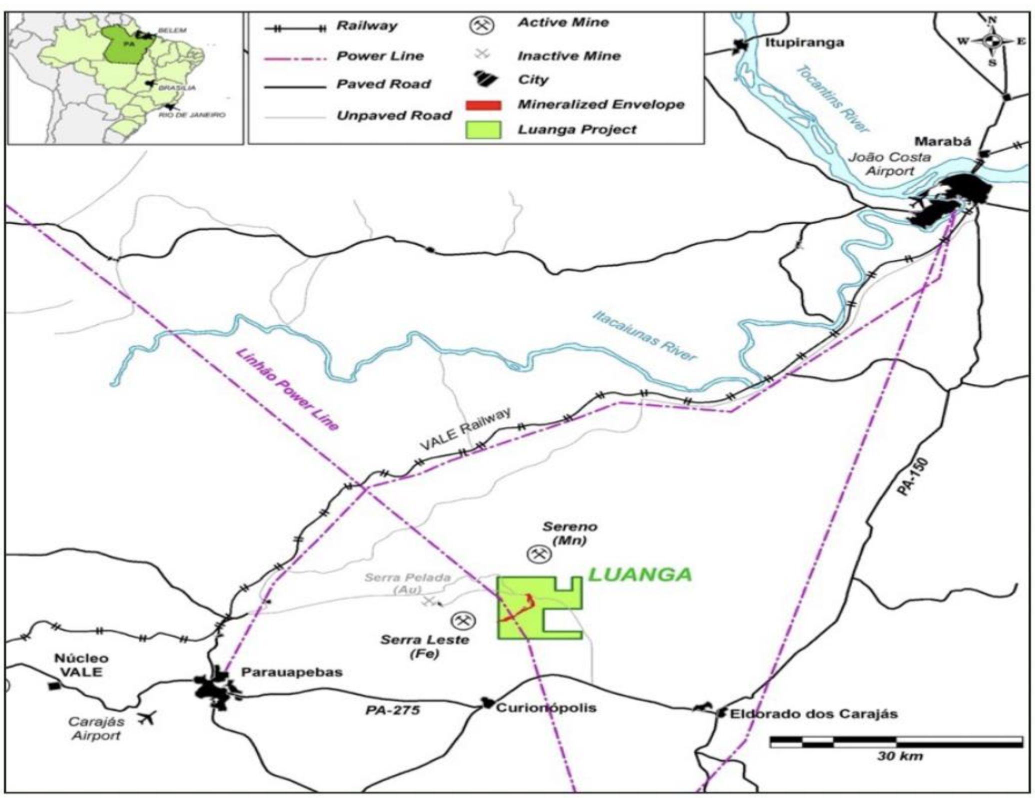
Source: Bravo Mining Corporate Presentation. Jan 19, 2023.

Key institutional backers include BlackRock (9.9% ownership), Tembo Capital (9.3%), Franklin Templeton (4%), RCF (2.8%), and members of the Sprott Group of Companies (1.3%). Both BlackRock and Sprott participated in the pre-IPO financing at US$0.50, with Blackrock increasing its ownership to 9.9% in the C$1.75 IPO. Tembo, Franklin Templeton, and RCF each entered the Bravo story via the IPO. These five groups, in conjunction with Bravo insiders, own over 89% of the company.

In addition to its tightly held share ownership, Bravo has a clean structure with 101m common shares outstanding, 3.1m options priced at C$1.75, and has never issued warrants. This results in a fully diluted market capitalization of approximately C$236m at the BRVO share price of C$2.27. The company has no debt and holds an enviable cash position of C$44m as of September 30, 2022. This affords the company a healthy 18 months of runway into mid-2024 before an additional financing will be required. This is a particularly attractive attribute given the uncertain market conditions as we head into 2023.

Luanga Project

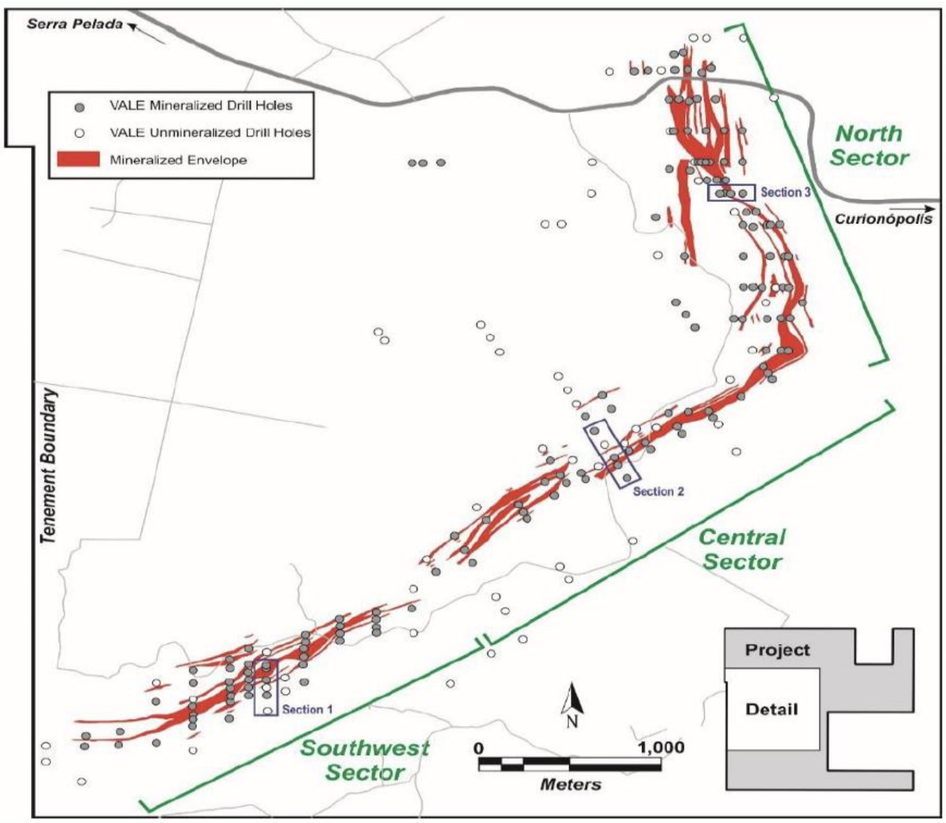
Bravo's flagship is the Luanga Project, located in the Carajás Mining Province in Para state in the north of Brazil. The Carajás is the marquee mining region within Brazil – with no less than eleven operating mines at present. (The Carajás is also home to Lara Exploration's Planalto Project, a long time MJG partnership holding.) Luanga's location affords Bravo the luxury of paved roads, nearby rail infrastructure, grid power, skilled labor, equipment suppliers, and all the other trappings associated with operating in an established mining district.



Source: Bravo Mining Investor Presentation. Nov 11, 2022.

Another advantage afforded by the location is that Luanga will benefit from a very favorable tax regime. The project sits within a designated SUDAM area, providing tax exemptions and deductions for certain investments (including mining). As such, Luanga qualifies for a 75% reduction to the 25% corporate income tax rate over the first 10 years of its mine life, bringing the total effective tax rate to 15.25% over that first decade (25% Corporate Taxes * 75% discount + 9% of Social Contribution).

Luanga was originally discovered in the early 1980's by DOCEGEO, the predecessor to Brazil's mining champion Vale. Vale turned its full attention to the project between 2000-2003, during which it spent approximately US$50m on Luanga. Work included roughly 50,000 meters of drilling over 248 holes, which ultimately defined a resource (non-NI 43-101 compliant) of 142 million tonnes grading 1.24 g/t Pd+Pt+Au & 0.11 % Ni. This equates to over seven million palladium equivalent ounces, most of which should be open-pittable given that Vale only drilled a handful of holes deeper than 200 meters in vertical depth.



Source: Bravo Mining Investor Presentation. Nov 11, 2022.

Vale also completed "fatal flaw" metallurgical testing over this period, which yielded encouraging results of 70% sulphide recoveries into a bulk concentrate employing conventional milling, grinding, and flotation. Bravo management is aiming to increase recoveries and concentrate grades by optimizing and modernizing the preliminary work completed by Vale. Metallurgical work on over 3,000 kilograms of samples taken from across the project footprint is currently in progress, with initial results expected later this year.

The project is rock-solid from a ESG perspective. The land is privately-owned with surface rights already negotiated over the full extent of the deposit. The ground has already been disturbed due to decades of agriculture and grazing activity, with no virgin forest to contend with. There is sufficient water access yet no major rivers running through the project. No communities – indigenous or otherwise – live on or near the project footprint. A powerline, which runs right through the southwest corner of the property, connects Luanga to the Brazilian power grid (which is 80% renewable between hydro, wind, biomass, solar, and nuclear). Not to mention that there are two active mines within 15 kilometers of the Luanga deposit.

Bravo CEO Luis Azevedo acquired 100% of Luanga from Vale in October 2020 for US$1.3m, a 3% NSR, and full offtake rights. In hindsight, this appears to have been a lopsided deal in favor of BRVO and its shareholders – though from Vale's perspective, one must consider the uncertain market conditions present in 2020 as well as the fact that Luanga had sat dormant within the Vale project portfolio for nearly two decades before this deal was consummated. (Vale's loss of interest in the project in 2003 most likely stems from internal politics and/or a company-wide shift in commodity focus away from PGMs.)

Scale is not an issue at Luanga; this is already a sizable project by any standard. As it stands, the key questions surround the potential economics of Luanga as Vale never published an economic study for the project. This will of course come down to a whole host of variables, with metallurgy towards the very top of the list. Bravo management plans to wrap numbers around the project next year, with a PEA slated for 2H 2024. But beforehand, the company will complete extensive drilling over two phases for 47,000 meters in total (Phase I is already 90% complete) as well as multiple rounds of metallurgical test work.

There are multiple avenues for additional upside at Luanga beyond what has been discussed to this point. The first is the outside potential of a Norilsk-style massive sulfide nickel discovery at Luanga. On August 16, 2022, Bravo announced a massive/semi-massive sulphide intercept of 11.04 meters of 2.04% Ni + 1.23% Cu + 4.24 g/t of PGM+Au from a depth of 131 meters. According to CEO Luis Azevedo, this style of mineralization "has not been observed previously at Luanga and could represent a new type of mineralization that occurs within the Luanga PGM deposit, or a potential indication of feeder zones".

Management is clearly excited about this nickel sulphide potential, with a DHTEM crew quickly mobilized to site after the August 16th announcement. No less than a dozen holes are planned to follow up on the above intercept as well as another deep nickel sulphide target on the property. First results from this drilling can be expected sometime in Q1 2023.

A second source of potential upside is the uniquely rich concentrations of rhodium exhibited at the Luanga Project. (Rhodium, currently valued at US$12,500 per ounce, is one of the world's rarest and most valuable metals.) While Vale was aware of the presence of rhodium when working the project between 2000-2003, the metal was an afterthought – with Vale neglecting to systematically assay for rhodium the metal and excluding it entirely from the historical resource estimate.

Bravo meanwhile has encountered much higher rhodium grades than previously thought, both in the re-assaying of old Vale core as well as in results from Bravo's Phase I drill program. The company estimates that, back-of-the-envelope, Luanga becomes a primary rhodium deposit at US$17,000 rhodium. (While seasoned mining investors care more about rock value versus chasing a particular metal of interest, the promotional advantage that would be afforded by potentially being able to refer to Luanga as a primary rhodium deposit cannot be understated.) At the very least, rhodium will be a much higher percentage of the revenue mix than many market watchers realize – positively impacting Luanga's overall economics.

Valuation

Bravo Mining is difficult to value with any degree of precision given the absence of a publicly available economic study for Luanga. (This will change when the Luanga PEA is released in 2024.) Until then, we will resort to an admittedly simplistic relative valuation against Bravo's peer group of PGM developers to assign a rough value to the company in its current state.

In this endeavor, we are assisted by a Cormark Securities report on Bravo Mining issued last month. The below comp table displays Bravo alongside six of its closest PGM peers at $2,000/oz Pd, $900/oz Pt, $1,700/oz Au, $9.00/lb Ni, and a CAD exchange rate of 0.73.

Figure 7 **Luanga Stacks Up Well Against Its Peer Group With Significantly Higher Valuations**

		Market		Project Overview				Resources (PdEq)			EV/oz		Risk Exposure Matrix			
Company	Symbol	Cap ($MM)	EV ($MM)	Flagship	Location	Stage	Type	M+I (MMoz)	M+I+I (MMoz)	Grade (g/t)	($/oz Total)	Infra. Access	Infra. Risk	Permit. Risk	Explor. Potential	Explor. Risk
Chalice Mining	CHN-ASX	$1,633	$1,542	Julimar	Australia	Adv. Exp.	OP	12.5	18.2	1.62	$85	✓				
Podium Minerals	POD-ASX	$28	$26	Parks Reef	Australia	Adv. Exp.	OP	0.0	7.7	1.67	$3	✓				
Generation Min.	GENM-TSX	$108	$89	Marathon	Canada	Feasibility	OP	7.5	8.3	0.93	$11	✓				
New Age Metals	NAM-TSXv	$11	$6	River Valley	Canada	Pre-Feas.	OP	1.9	3.2	0.54	$2	✓				
Platinum Group	PTM-TSX	$14	$64	Waterberg	South Africa	Feasibility	UG	14.7	18.5	1.86	$3	✗				
PolyMet Mining	POM-TSX	$279	$352	NorthMet	U.S.A.	Feasibility	OP	70.7	133.3	0.94	$3	✓				
Average:											**$18**					
Bravo Mining	**BRVO-TSXv**	**$125**	**$93**	**Luanga**	**Brazil**	**Adv. Exp.**	**OP**	**0.0**	**7.2**	**1.67**	**$13**	✓				

Source: Cormark Securities Inc., S&P Market Intelligence

Source: "Bravo! Luanga's Encore Is About To Begin". Cormark Securities. Dec 15, 2022.

Bravo's peers are currently assigned an average enterprise value per PdEq ounce of approximately US$18 per ounce. Applying this number to the historic Luanga resource of 7.2m PdEq ounces results in a valuation of US$130m, or C$175m at the current FX rate.

This compares to a C$187m enterprise value reflecting BRVO's current share price of C$2.27, the company's last reportable cash balance of C$44m, and C$5.425m in expected option exercise proceeds. Through this lens, Bravo Mining is fairly valued relative to its peers based solely on the historic work done by Vale.

Yes, there are caveats. "Pounds in the ground" peer comparisons are notoriously misused, as they can be used to justify an investment in projects that simply will never get built due to permitting, social license, lack of infrastructure, unworkable economics, or numerous other factors. It's also worth noting that the inclusion of Chalice Mining (currently being valued at roughly US$85 per PdEq ounce) buoys the peer group average quite significantly.

With these caveats mind, it's worth noting that the above exercise assigns no value to the previously unrecognized nickel sulphide potential, no value to the rhodium whatsoever (as the historic 7.2m PdEq ounces only includes Pd, Pt, Au, and Ni), no value to Luanga's sublime ESG credentials, and no value to the bonafides of CEO Luis Azevedo and the team he has assembled.

In essence, at the current share price one is paying roughly fair value for what is an exceptional team, an excellent structure, and two avenues for significant upside beyond what is known today. And let's not forget CEO Luis Azevedo's stated intention to build Bravo into a $2-3 billion company. While Bravo is far from a "deep value" investment at this juncture, the risk/reward continues to appear skewed in favor of current shareholders.

Upcoming Milestones

Provided below are the Bravo Mining milestones that can be expected over the coming twenty-four months. The most significant of these to be a share price catalyst is the PEA slated for 2024, as this will be the first time that economics are publicly assigned to Luanga. A significant nickel sulphide discovery and/or an upside surprise to rhodium content in the maiden NI 43-101 resource also have the potential to jolt the BRVO share price.

- Drill results from remainder of Phase I (25,500m) drill program **by end Q1 2023**
- Drill results from nickel sulphide exploration holes (~12 holes) **by end Q1 2023**
- Drill results from Phase II (21,500 meters) drill program **by end 2023**
- Initial metallurgical update **by end 2023**
- Maiden NI 43-101 Mineral Resource announced **by end Q1 2024**
- Raise additional capital **by end H1 2024**
- PEA announced at Luanga **by end 2024**

Conclusion

At the current BRVO share price, the company appears fairly valued for the historic work completed by Vale. Upside is provided by the nickel sulphide exploration potential, the rhodium kicker, and most importantly the people involved with the venture. (Though not mentioned until this point, there is also the outside potential for value creation via additional project acquisitions within Brazil; this relates directly to the deep experience of Luis and his team in country.)

Key risks include: (a) a sustained collapse in PGM prices, (b) Brazil-specific political instability during the Lula presidency, (c) Bravo’s current reliance on a single asset, (d) Bravo’s dependency on capital markets to advance the project beyond the PEA stage, and/or (d) the inability to replicate Vale’s historic met results. These risks must be weighed against the potential upside afforded by investing in Bravo Mining at its current stage and valuation.

Bravo could be considered a medium-term trade opportunity in anticipation of the PEA due next year, however the MJG partnership is approaching this as a multi-year investment in both the team and the tremendous potential of the asset. While it is true that Bravo’s valuation is not what it was when the partnership first invested, multi-bagger upside remains at the current valuation due to the scale and unique attributes inherent to Luanga. Most importantly, the people behind this venture have driven significant value in Brazil previously – and appear poised to do it again.

Featured Investment Updates

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

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

Star Royalties (TSXV: STRR)

Featured In: **July 2022**
Average Cost Per Share: **C$0.52**
Current Market Price (January 20, 2023): **C$0.355**

Star Royalties was featured in the most recent MJG partnership letter. Star has been a MJG holding since a September 2020 financing when the company was still private. Open market purchases, as recently as this past week, have lowered the partnership's cost basis to C$0.52 per share.

The STRR share price has grinded lower over the past six months, with the company clearly subject to tax loss selling late in the year. This weakness likely stems from a combination of light news flow, production shortfalls at Gold Mountain Mining's Elk Gold Mine in British Columbia (over which Star holds a 2% NSR), and a sharp decline in the pricing of nature-based offset credits by over 60% in 2H 2022.

This has afforded the MJG partnership an opportunity to average down on our position, given that the fundamental investment rationale for STRR – driven by its 62% ownership stake in carbon credit royalty/streamer Green Star – remains very much intact. Green Star, which remains private to this point, raised C$15.4 million from gold mining heavyweight Agnico Eagle in May 2022 at a C$40.4m post-money valuation. This values STRR's 62% interest at C$25m, which is right in line with the company's current market capitalization of C$26m.

With this said, Agnico Eagle's strategic investment valued Green Star at a 3.25x multiple of its cumulative capital commitments at that time. In the period since, Green Star has increased its capital commitments nearly fourfold to approximately C$28m. Under the assumption that Agnico Eagle paid a fair price for its investment, this level of capital commitments suggests a value of approximately C$91m for the entirety of Green Star – or roughly C$0.77 per issued STRR share on a 62% basis.

Included below are the milestones expected from both Star Royalties and Green Star over the coming twelve months. Due to market conditions, it is more likely than not that Green Star will raise its next financing privately while delaying the eventual IPO. Should a private Green Star financing occur in the next six months, the very earliest that STRR shareholders could expect an IPO is 2H 2023 – with 2024 seeming more likely.

- Gold Mountain announces Updated Resource & PEA at Elk Gold Mine **by end Q1 2023**
- Green Star announces IPO **by end 2023**
- First revenues from EMS Forest Carbon Project **by end 2023**
- First offset credits monetized w/ CarbonNOW regenerative agriculture program **by end 2023**
- Sabre Gold announces financing package at Copperstone Gold Project **by end 2023**

As stated in the July 2022 partnership letter, Green Star "is the partnership's sole carbon credit-focused investment, and there seems little reason to look elsewhere until the STRR interest in Green Star is more appropriately valued". This is truer today than it was when written. As such, we are very comfortable adding to our STRR position at current levels.

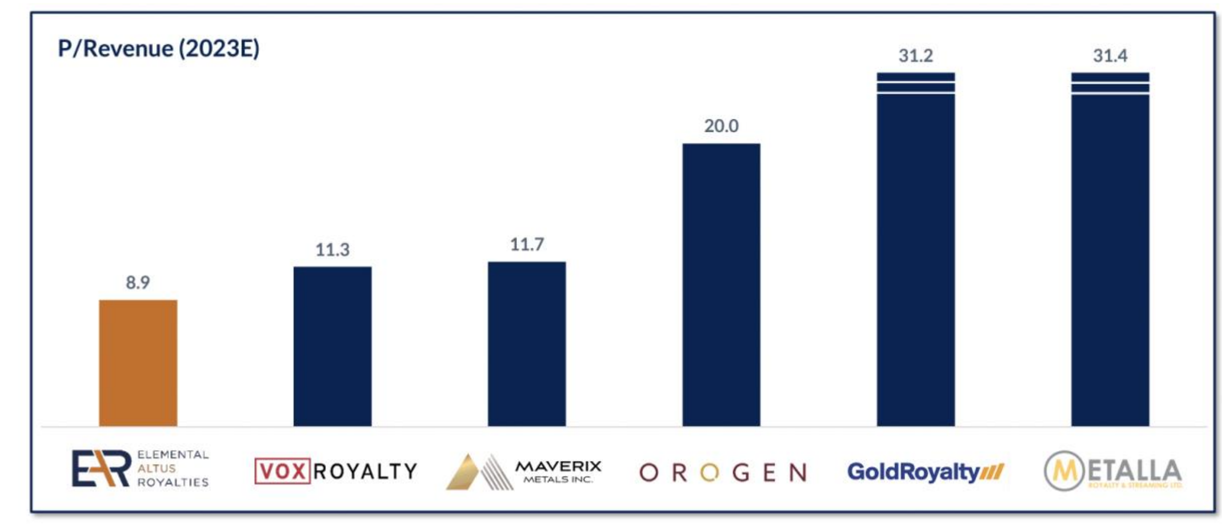
Elemental Altus (TSXV: ELE)

Featured In: **January 2022**
Average Cost Per Share: **C$1.39**
Current Market Price (January 20, 2023): **C$1.25**

Altus Strategies was featured in the January 2022 MJG partnership letter. The company has been a partnership holding since an April 2018 private placement. After open market purchases as recently as in late July 2022, the MJG partnership's cost basis sits at C$1.39 per share post-merger.

While it has yet to be reflected in the share price, the past six months have been transformative for this investment. In August 2022, Altus completed its "merger of equals" with Elemental Royalties – with Altus CEO Steven Poulton assuming the role of Executive Chairman and Elemental's Fred Bell assuming the CEO role. The combined entity provides investors with exposure to eleven producing royalties and streams across four continents, as well as a deep bench of pre-production royalties and 100%-owned ground.

The second significant event was the December 1st announcement that the company had refinanced its debt position on attractive terms with National Bank of Canada and CIBC. Previously, the US$52.5m in debt due to Sprott Lending and La Mancha at year end 2022 was a clear and present concern. This is no longer the case as the refinancing sees the outstanding debt reduced to US$30m with a minimum of three years to maturity, alongside an increased cash balance of US$17m. As a result, Elemental Altus now has its financial house in order – not to mention projected savings of over US$3.5m in interest payments per annum.



Source: Elemental Altus Corporate Presentation. December 2022.

From a valuation perspective, the combined entity remains attractively priced relative to precious metal-focused junior royalty peers on a price to revenue basis. Of the companies listed above, only Maverix Metals generated more royalty revenue in FY 2022 than Elemental Altus.

On a price to cashflow basis, the Elemental Altus multiple is currently in the low teens based on 2023 projected cashflow. This compares favorably to the approximate 22x multiple on projected 2023 cashflow that Triple Flag has just paid for Maverix Metals. The 100%-owned Diba and Lakanfla assets in Mali, as well as the 100%-owned ground in Egypt are being assigned minimal to no value.

Included below are the milestones expected from Elemental Altus and its counterparties over the course of 2023. Additional royalty acquisitions should not be ruled out, given the financial heft of La Mancha – ELE’s largest shareholder at 34% ownership.

- “Full production from royalty area” at Bonikro Gold Project **by end Q2 2023**
- Monetize Diba and Lakanfla in Mali + retain royalty **by end Q2 2023**
- Drilling and/or corporate activity at 100%-owned ground in Egypt **by end 2023**

To conclude, Elemental Altus is attractively priced relative to peers based on its producing royalties. Significant upside is afforded by nearly fifty pre-production royalties as well as 100%-owned ground in both Mali and Egypt. The company is still relatively unknown outside a small set of dedicated royalty investors. This appears poised to change over the course of 2023, now that the company is on firmer financial footing and the dust has settled from the merger.

Strategic Resources (TSXV: SR)

Featured In: **July 2021**
Average Cost Per Share: **C$0.29**
Current Market Price (January 20, 2023): **C$0.35**

The MJG partnership first initiated its position in Strategic Resources via a private placement in October 2020. Subsequent open market purchases have lowered the MJG cost basis to C$0.29 per share. The partnership added to its Strategic Resources position on the open market as recently as late October 2022.

Our patience appears to have paid off. On December 13th, CEO Scott Hicks announced that Strategic Resources was acquiring the BlackRock Vanadium-Titanium-Iron Project in Quebec, in what amounts to a reverse takeover. The deal is priced at C$0.50 per share, a 43% premium to SR's share price which is currently halted at C$0.35. The combined entity will continue to trade on the TSXV under the "Strategic Resources" banner. It can be expected that the share price will jump to at least this C$0.50 level upon the deal closing later this quarter.

This is a gamechanger for the company. The BlackRock Project is a construction ready project with roughly C$180m spent on the asset over the past decade. A November 2022 Feasibility Study outlined a thirty-nine-year operation with an after-tax NPV_8 of C$1.932 billion and an after-tax IRR of 18.2% at spot MPI and ferrovanadium prices. At C$0.50 per share, Strategic Resources will be valued at just under C$180m upon the transaction closing – roughly equivalent to the historic spend at the asset and less than one-tenth the projected after-tax NPV.

It should be noted that the initial capital cost to get the operation up and running is a formidable C$1.471 billion. With this said, the combined entity will have the financial backers to make this happen – with mining investment house Orion Mine Finance and state-owned Investissement Quebec (IQ) each becoming 41% shareholders in Strategic through the transaction. Both are highly motivated to see the fully permitted BlackRock through to production. Strategic Resources is raising C$13.5m in equity and convertible notes in conjunction with the transaction, C$11.6m of which is being taken down by Orion, IQ, and Ross Beaty. This should afford the company enough runway to finalize a construction financing package in late 2023.

Included below are the milestones expected over the coming eighteen months. Mustavaara is now very much on the backburner, as the company will be laser-focused on securing a construction financing package for the BlackRock Project.

- Close RTO transaction with BlackRock Metals **by end Q1 2023**
- Finalize construction financing package at BlackRock Project **by end 2023**
- Break ground at BlackRock Project **by end Q2 2024**

The MJG partnership will remain patient with this position, giving management a chance to follow through with a construction financing package later this year as expected. We can always reevaluate in the case of unexpected delays or roadblocks, but at its post-deal valuation Strategic Resources continues to offer significant potential upside – given that a shovel-ready project with positive economics can reasonably garner a 0.3x NAV multiple.

Nova Royalty (TSXV: NOVR)

Featured In: **January 2021**
Average Cost Per Share: **C$0.30**
Current Market Price (January 20, 2023): **C$1.65**

Nova Royalty has been a MJG partnership investment since October 2018. The partnership's cost basis sits at C$0.30, including warrant exercises.

It's been a quiet period for Nova, with 2H 2022 being the first six-month period since listing publicly in which the company hasn't made a royalty acquisition. This is acceptable from a NOVR shareholder perspective, given that the company has already achieved sufficient critical mass in its copper royalty portfolio via nine acquisitions between September 2020 and May 2022. The platform has been set for Nova to execute on its strategy over the course of this coming decade.

With this said, management has stated clearly that its immediate priority is "balancing our cash flow profile by adding cash-flowing and near-term cash-flowing royalties". The company's 1% NSR at the Aranzazu Copper-Gold-Silver Mine in Zacatecas, Mexico is the company's only producing royalty at this point. Royalty cashflow from Aranzazu offsets greater than 50% of company overhead. Nova is one similarly sized cash-flowing acquisition away from covering overhead entirely, putting the company on firmer financial footing.

In this respect, the sharp rally in the price of copper in recent weeks is a double-edged sword. It is of course positive for Nova on several fronts: (a) NOVR share price appreciation, (b) increased cash flow from Aranzazu, and (c) a greater impetus on Nova's counterparties to aggressively push forward with project development. On the flip side, it may complicate the completion of new royalty acquisitions that have been in the works.

Looking forward, Nova and its respective counterparties have a number of expected milestones over the coming twenty-four months. Most significant is the potential for positive construction decisions at Lundin Mining's Josemaria Project and First Quantum's Taca Taca Project. Waterton also continues its strategic partner process at Dumont, though it is difficult to handicap the timing to completion.

- Los Andes Copper announces PFS + updated resource at Vizcachitas **by end Q1 2023**
- EISA approval at Taca Taca **by end H1 2023**
- Hudbay announces "Phase I" PFS at Copper World **by end H1 2023**
- Copper World receives Aquifer Protection Permit + Air Quality Permit **by end H1 2023**
- Nova closes acquisition of Josemaria NPI **by end 2023**

- Lundin Mining construction decision at Josemaria **by end 2023**
- First Quantum submits water permit application **by end 2023**
- First Quantum construction decision at Taca Taca **by end 2024**
- Hudbay announces "Phase I" DFS at Copper World **by end 2024**

Upon closing the Josemaria NPI acquisition, Nova will own royalties on four of the ten largest open pit copper projects in the Americas as measured by copper equivalent reserves. Three of these four – Taca Taca, Copper World/Rosemont, and Josemaria – are being actively advanced towards production by credible counterparties.

The rub is that each of these royalties remain several years from first cash flow and, as such, an investment in NOVR at this stage requires a level of patience beyond that of many investors. The wait should be worth it however, as the copper 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 the course of this decade. The MJG partnership will remain patient with its position; given the nature of the royalty business model, time is on the company's side.

Lara Exploration (TSXV: LRA)

Featured In: **January 2020**
Average Cost Per Share: **C$0.65**
Current Market Price (January 20, 2023): **C$0.89**

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

Lara remains a bet on an honest, previously successful management team utilizing the prospect generation business model. In what was an incredibly challenging 2022 for copper-focused juniors, the Lara share price trounced that of its peers by rising 47% over the course of the year.

Lara's divergent fortunes are explained by exploration success at the company's flagship Planalto Project in Brazil's Carajás Mining District. On May 16th, partner Capstone Copper announced a 343.1 meter intercept of 0.65% CuEq from just 12.8 meters depth. This hole was drilled at the previously untested Cupuzeiro target to the north of the existing Homestead deposit. This was followed up by hole 22-007, announced on September 13th, which hit 380.79 meters of 0.575% CuEq from 17.8 meters depth.

As stated in the July 2022 partnership letter, Planalto "looks like a mine in the making" with Lara set to benefit through its 30% project-level interest. Despite a lull in news flow since the September 13th drill results, this remains very much the case. Two drill rigs are currently stepping to the north at Cupuzeiro, with at least 3000 meters of additional assays expected in the coming months. A further 1800 meters is planned to test the gap between Cupuzeiro and Homestead once the prerequisite environmental permits are in hand.

Provided below are the expected Lara share price catalysts in 2023. Absent a resolution to the long running Liberdade litigation, continued drilling at the Planalto Project will be the key driver of the LRA share price for the foreseeable future.

- Drill results (3000m) north of Cupuzeiro target at Planalto **by end Q1 2023**
- Permit from SEMAS to test gap between Cupuzeiro and Homestead at Planalto **by end Q2 2023**
- Drill results (1800m) from gap between Cupuzeiro and Homestead at Planalto **by end Q3 2023**

Lara provides investors a vehicle to participate in a sizable copper discovery in one of the world's preeminent mining districts. While it is true that the company owns only 30% of Planalto, Lara's shareholders benefit from a shrewdly structured deal that sees the company free carried through first production. The company's numerous other assets in Brazil, Peru, and Chile afford additional upside, but an investment in Lara – at its sub C$40m enterprise value – remains compelling based on Planalto alone.

Adriatic Metals (ASX: ADT)

Featured In: **January 2019**
Average Cost Per Share: **A$1.07**
Current Market Price (January 20, 2023): **A$3.31**

Adriatic Metals was featured in the January 2019 partnership letter. The position was first initiated at A$0.39 in the weeks after the Rupice discovery hole. Subsequent purchases, as recently as late June 2022, have increased the MJG partnership's cost basis to A$1.07 per share.

Adriatic has been a top performer within the MJG portfolio in recent months, with the share price nearly doubling in value since mid-July 2022. Adriatic shareholders have enjoyed the best of both worlds – a mine build that is largely going to plan and is now greater than 50% complete, alongside world-class exploration drill results that have the potential to materially improve project economics. This is a rare combination indeed, and it's been well reflected in the ADT share price.

On the mine build front, recent developments include (a) the construction of the mill and flotation buildings at the Vares processing site, (b) the placing of orders for all long lead time items, (c) the execution of offtake agreements with Boliden, Trafigura, and Transamine, (d) the first drawdown from the Orion Debt Package, and (e) an adjustment to the QRC convertible notes confirming that Adriatic is not required to redeem the US$20m in debentures ahead of production. Importantly, more than 80% of capital expenditures have already been locked in – greatly reducing the likelihood of a substantial cost overrun when all is said and done. While there has been a three-month slippage in expected first production, this does not appear to reflect any existential concerns.

It's the drill results from Rupice Northwest, however, that have caught the market's attention – propelling the ADT share price to an all-time high just last week. The headline holes from this drilling include:

- **45.9m @ 701g/t AgEq** from 216m - furthest section along strike (225m northwest of the current Rupice resource)
- **30.3m @ 932g/t AgEq** from 248m - down dip extension
- **21.6m @ 838g/t AgEq** from 321m - down plunge extension

Source: "Rupice NW Starting To Show Scale". Canaccord Genuity. Jan 12, 2023.

These holes rival the very best drilled at Rupice Main, providing thick intercepts well in excess of the existing reserve grade of approximately 500 g/t AgEq. They also do more than simply extending the project's mine life. Under the mine plan used in the 2021 Feasibility Study, the Rupice head grade drops off rather precipitously in year six. It's becoming increasingly apparent that Rupice NW will be used to sweeten the grade profile for another three to five years, materially improving the project's already enviable economics.

There is more Rupice Northwest news flow on the near horizon. Drilling has continued into the new year as Adriatic attempts to close-out mineralization and connect Rupice Northwest to Rupice Main. Seven holes remain to be released from the 2022 drilling, with the company commenting in its most recent news release that "each of these holes intersected significant zones of massive sulphide mineralization". A maiden inferred resource at Rupice Northwest is expected in late Q1 2023, though this may be delayed somewhat should Adriatic continue to have similar luck with the drill bit.

Provided below are the Adriatic milestones expected over the course of this year. Ultimately the ADT share price will live or die with the company's ability to execute on the mine build and production ramp up, though in the meantime drilling at Rupice Northwest will provide the market with plenty of sizzle in what is typically a fallow period of news flow.

- Drill results from remainder of 2022 program at Rupice Northwest **by end Q1 2023**
- Maiden inferred resource at Rupice Northwest **by end Q1 2023**
- Updated mineral resource + reserve at Rupice **by end Q1 2023**
- First drawdown from US$22.5m Orion copper stream **by end Q1 2023**
- Agreement with Port of Ploce to ship concentrate **by end Q1 2023**
- Annex to concession agreement signed with Zenica-Doboj canton **by end Q2 2023**
- First concentrate production at Vares **by end Q3 2023**

While it doesn't reflect the recent drilling success at Rupice Northwest, we will stick with a fair value of approximately A$4.00 per ADT share as the mine build continues. (As detailed in past MJG partnership letters, this reflects a 0.8x multiple on the Vares after-tax NPV_8 at what is roughly spot metal prices.) The MJG partnership will book some profits should the ADT share price encroach upon these levels prior to first production.

With this said, substantial additional upside does remain from current levels should ADT management execute to plan. In a goldilocks scenario in which the company seamlessly ramps up to commercial production while avoiding any additional equity dilution, the Vares Project is projected to generate US$221 million in post-tax free cashflow in its first full year of commercial production – which presumably could be as soon as 2024. Applying a middling 5x multiple to this figure results in a A$5.45 share price on a fully diluted basis at the current FX exchange rate. In this "flawless execution" scenario, we could see this share price assigned to ADT as soon as early 2024.

Sama Resources (TSXV: SME)

Featured In: **January 2018**
Average Cost Per Share: **C$0.14**
Current Price (January 20, 2023): **C$0.13**

The MJG partnership first initiated its position in Sama Resources via a private placement in late 2016. We've added to our position along the way on the open market, most recently at C$0.12 in late July 2022.

While the opportunity cost associated with this position has been significant, SME remains a partnership holding because it continues to check the key boxes that we look for in an investment. As mentioned in the previous partnership letters, these include (a) the caliber of the key people involved, (b) the scale of the opportunity being pursued in the Ivory Coast, (c) the minimal risk of share dilution given the Ivanhoe Electric earn-in, and (d) the quantifiable downside protection afforded by the company's large cash and marketable securities position relative to market capitalization. Nothing has changed on these fronts.

In 2022, Ivanhoe Electric funded the largest-ever drill campaign at the Samapleu Project – with five drill rigs turning on the property as recently as June. The primary focus was the near-surface Grata deposit, at which forty-five holes were completed. (Assays from thirty-five of these have been released to date.) Grata is roughly five kilometers from the existing Samapleu deposit, the subject of a May 2020 PEA outlining an after-tax NPV_8 of US$391 million.

While the Grata drill results announced to date have failed to capture the attention of the market, they have outlined what appears to be an open-pittable deposit of similar size to Samapleu with slightly higher grades. The immediate focus is wrapping Grata into a combined PEA with Samapleu, with the distinct possibility of Grata coming first in the mine plan. CEO Marc-Antoine Audet is guiding for the PEA to be published in Q2 2023, with metallurgical results and a maiden Grata resource expected in the months beforehand. This provides solid news flow out of the Ivory Coast through at least the middle of this year.

Looking beyond the joint venture with Ivanhoe Electric in the Ivory Coast, SME also owns the compelling and undrilled Lac Brule Nickel Project in Quebec on a 100%-basis. It appears that the company was prepared to spin out Lac Brule into a standalone vehicle, with a Dec 2nd special meeting announced on SEDAR in late September before being subsequently cancelled. The company has been tight-lipped regarding this about-face; one can only presume that a significant party to the discussions, quite possibly Ivanhoe Electric, was not sold on the plan.

While disappointing from a SME shareholder perspective, Lac Brule remains in the company's project portfolio – with the possibility of either spin out or Sama drilling it on a 100% basis still on the table. The company would be well advised to provide shareholders with a definitive direction on Lac Brule soon, as it has the potential to serve as a catalyst for what has been a moribund share price.

Provided below are the milestones that Sama shareholders can expect over the coming six months. Given the company's outsized share ownership position in SRG Mining, major milestones expected from SRG have been included as well.

- Results from remaining 10 holes drilled at Grata **by end Q1 2023**
- Initial metallurgical results at Grata **by end Q1 2023**
- Maiden mineral resource at Grata **by end Q1 2023**
- Updated Feasibility Study at SRG Mining's Lola Project **by end Q1 2023**
- PEA for combined Grata and Samapleu operation **by end Q2 2023**
- PEA from SRG Mining for spherical graphite conversion facility in Europe **by end Q2 2023**
- Corporate activity or self-funded drill program at Lac Brulé **by end Q2 2023**

Sama reflects a C$15m enterprise value at its current share price of C$0.13, after accounting for the company's C$7m cash position and C$9m share position in SRG Mining. Should adverse market conditions persist, Sama offers relatively muted downside from current levels – with working capital covering over half of market cap and minimal dilution risk for the foreseeable future.

Share price upside in the near term is dependent on a positive surprise with the combined Grata and Samapleu PEA, a spin out of the Lac Brule asset, and/or SRG Mining announcing a financing package at Lola. We should also have more clarity on the next steps to be expected in the Ivory Coast by Q3 2023. The MJG partnership continues to hold its position.

Featured Investments (Since Sold)			
Company	**Featured In**	**Average Cost Basis**	**Average Exit Price**
Tonogold Resources (OTC: TNGL)	July 2020	US$0.05	US$0.04
Salazar Resources (TSXV: SRL)	July 2019	C$0.26	C$0.14
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

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