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|---|---|
| **To:** | MJG Capital Limited Partners |
| **From:** | Matt Geiger |
| **Date:** | July 31, 2023 |
| **Subject:** | 2023 First Half Review |

Below is set forth MJG Capital Fund, LP's performance through June 30, 2023.

| | |
|---|---|
| 6 Month Performance | |
| MJG Capital Fund, LP (net of all fees and expenses) | 16.29 % |
| S&P 500 (with dividends included) | 16.89 % |
| S&P/TSX Venture Composite Index | 8.95 % |
| | |
| 1 Year Performance | |
| MJG Capital Fund, LP (net of all fees and expenses) | 14.39 % |
| S&P 500 (with dividends included) | 19.59 % |
| S&P/TSX Venture Composite Index | 0.66 % |
| | |
| 3 Year Performance | |
| MJG Capital Fund, LP (net of all fees and expenses) | 92.44 % |
| S&P 500 (with dividends included) | 50.51 % |
| S&P/TSX Venture Composite Index | 0.19 % |
| | |
| 5 Year Performance | |
| MJG Capital Fund, LP (net of all fees and expenses) | 177.22 % |
| S&P 500 (with dividends included) | 78.66 % |
| S&P/TSX Venture Composite Index | (16.03) % |
| | |
| 10 Year Performance | |
| MJG Capital Fund, LP (net of all fees and expenses) | 219.27 % |
| S&P 500 (with dividends included) | 235.35 % |
| S&P/TSX Venture Composite Index | (29.49) % |
| | |
| Performance Since Inception (9/1/11) | |
| MJG Capital Fund, LP (net of all fees and expenses) | 12.39 % |
| S&P 500 (with dividends included) | 360.31 % |
| S&P/TSX Venture Composite Index | (65.68) % |

**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

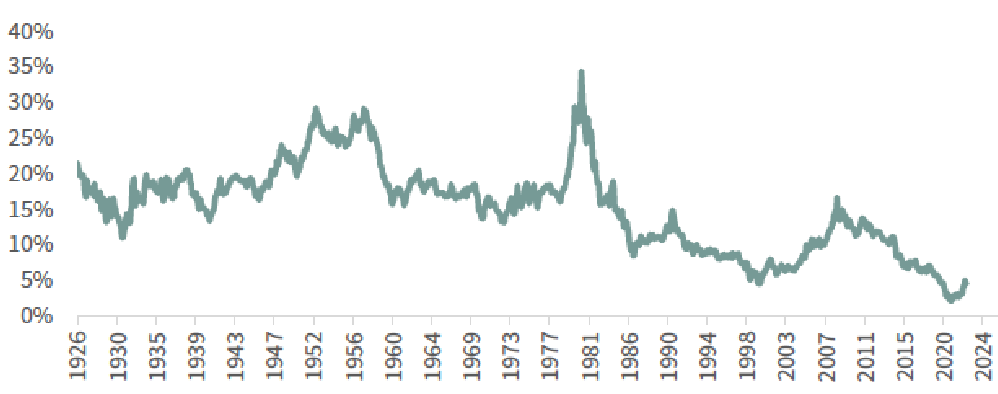
The MJG partnership was formed roughly twelve years ago, with returns detailed on the previous page. The S&P 500 represents the alternative investment of choice, while the TSX Venture is the closest proxy to the universe of resource equities that fits the MJG investment mandate.

The MJG partnership returned 16.29% net of fees and expenses in the first half of 2023. This was largely driven by four outperforming positions, with much of the rest of the MJG portfolio treading water in what has been a weak junior mining market. This was not a “rising tide lifts all boats” scenario by any means.

Our small niche of the market is not in favor, despite the stirring of animal spirits evident in broader equity markets. We are back in a risk asset bull market by any definition but, contrary to experience in recent decades, bull markets need not be long lived. When the broader markets next roll over, junior miners will feel the pain as they always do. Cheap can always become cheaper, and out of favor can always become even more so.

With this understood, natural resource equities remain quantifiably cheap by historical standards. The below chart, courtesy of Goehring & Rozencwajg, shows that this niche of the market has been confined to irrelevance as a percentage of the overall S&P 500. (Please note that the below data includes energy firms, mining on its own comprises only ~0.50% of the S&P 500 currently – down from above 2% in the mid 1990’s and roughly 1.5% in 2008.) The same conclusion is borne out across a host of additional relative comparisons, further examples of which can be seen in the *Introduction* of recent partnership letters.

**FIGURE 2** Energy & Mining Weighting in the S&P 500

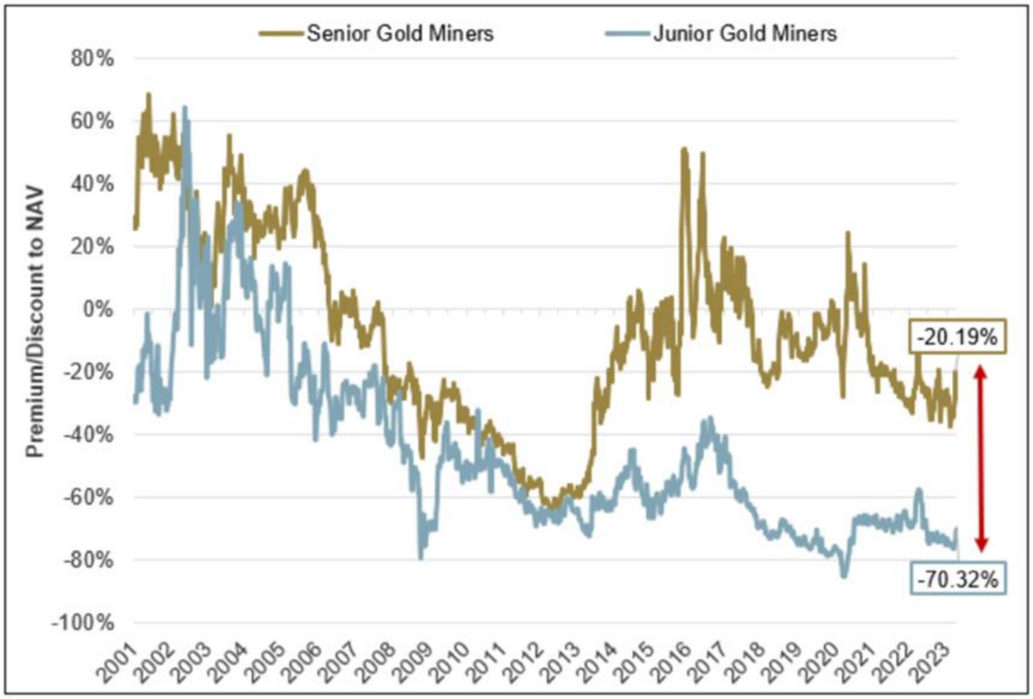



Source: Bloomberg, Kenneth R. French CRSP & GR Models.

Within mining specifically, the juniors appear particularly cheap. The below chart from Sprott shows that the valuation spread between junior and senior miners has blown out to levels not seen this century.

While this data pertains only to gold miners, it is indicative of what we are seeing more broadly across the industry. (The hot market for early-stage lithium plays stands out as a notable exception.) The MJG partnership portfolio sits firmly within the junior camp, with a median market capitalization of approximately C$50 million amongst our current investments.

**Figure 9. Junior Miners Inexpensive Relative to Senior Miners** (2001-2023)




Source: BMO Capital Markets, FactSet. Data as of 4/19/2023. "Junior" gold mining companies generally have market capitalizations under $500 million and are considered riskier than larger, "senior" gold mining companies, which generally have market capitalizations greater than $500 million. You cannot invest directly in an index. Included for illustrative purposes only. **Past performance is no guarantee of future results.**

This all suggests that, for any reasonable timeframe, it remains an excellent time to be invested in natural resources more broadly, and junior mining equities more specifically. But success will only come to those with the means and temperament to place their bets and give them time to mature, without hanging on every dip, dive, and dodge along the way. The natural resource industry is volatile, famously so, and while we remain well positioned for strong performance over the remainder of this decade, those emotionally affected by the seeming swings in fortune risk being eaten alive.

This letter's *Market Musings* provides commentary on the mining scene in Brazil, touching on recent developments, the country's key advantages and risks, ways for Brazil to encourage further investment, and suggestions for mining investors looking at the country. This is of particular relevance to the MJG partnership portfolio, which now has more exposure to Brazil than any other mineral jurisdiction.

In the *Overview of Partnership Holdings*, the MJG portfolio construction is reviewed by commodity, jurisdiction, and business model. As of June 30th, the partnership held nineteen publicly traded positions and two private investments (both acquired via spin outs).

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

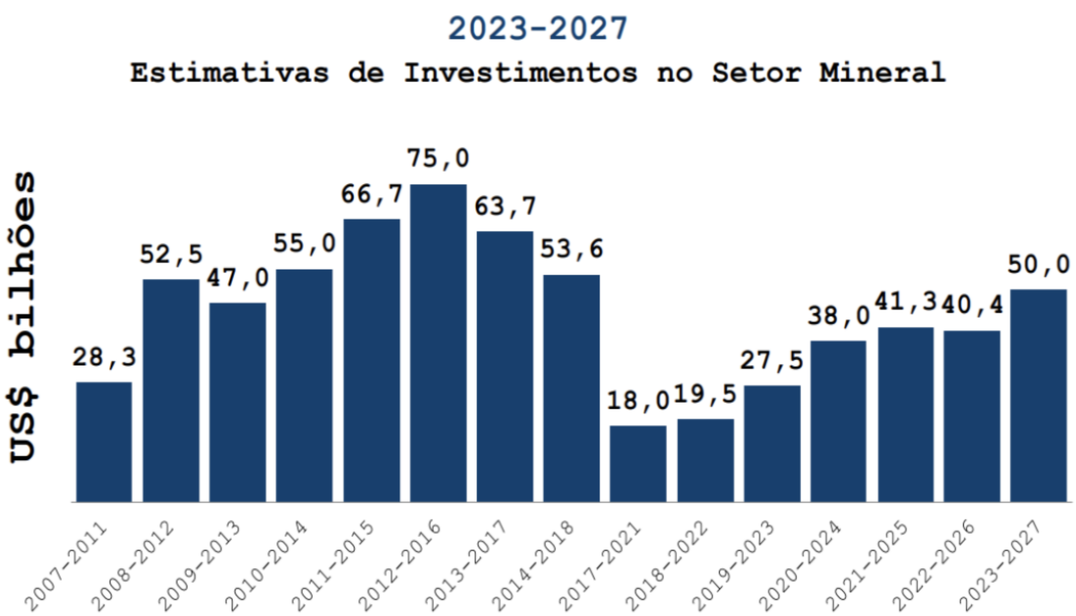
# Market Musings

## Mining in Brazil

Brazil, renowned for its rich natural resources and extensive mining history, is reemerging as an attractive investment jurisdiction for the industry. Several key factors, including a diverse mineral endowment skewed towards critical minerals, a power grid supplied 85% by renewable energy, and strong relations with both China and the West, have contributed to the country's increasing allure for investment. We will explore these advantages in greater detail, as well as (a) key risks that could derail a mining investment boom, (b) steps the country could theoretically take to further its appeal as a mining jurisdiction, and (c) a few suggestions for mining investors looking to optimize their chances of succeeding in Brazil.

***Positive Recent Developments in Brazil's Mining Sector***

The Brazilian mining industry is beginning to stir. After a painful hangover from the Chinese-driven commodity cycle earlier this century, total mining investments in Brazil are expected to reach $50 billion over the next five years – a 25% jump from recent levels and the first time the $50 billion mark will be eclipsed since the 2014-2018 period.




**Source: Instituto Brasileiro de Mineração (IBRAM). Feb 2023.**

The momentum has only accelerated in recent weeks, with at least half a dozen significant developments across the country in just the past sixty days.

- **Vale Sells 13% Stake in Base Metals Unit:** Brazilian mining champion Vale SA announced on July 27th that it had sold a 13% minority stake in its multi-billion dollar nickel and copper operations in Brazil, Canada, and Indonesia. The price tag totaled $3.4 billion, with 3% sold to US-based investment fund Engine No. 1 and 10% split between Saudi Arabia's Public Investment Fund and state-owned miner Ma'aden. There was no shortage of international interest, with reporting from late June suggesting that Mitsui & Co and the Qatar Investment Authority were rival bidders. With the support of its new partners, Vale Base Metals plans to invest between $25 billion and $30 billion into its business over the coming decade.

- **Sigma Lithium Lists on B3:** Sigma, a leading lithium producer in Brazil, announced on July 25th that its shares had begun trading on the Brazilian stock exchange (B3) via Brazilian Depository Receipts (BDRs). This enables Brazilian investors to purchase Sigma shares without the need to open a brokerage account outside the country. Sigma joins just a handful of mining companies currently listed on the B3.

- **Horizonte Minerals Receives Key Permit:** Horizonte Minerals announced on July 6th that it had received the mining approval permit for its Araguia Project in Pará State. This provides a positive read-through for the permitting of other projects in Pará State's Carajas Mineral Province and potentially for Brazil as a whole.

- **BYD Chooses Brazil for First EV Plant Outside of Asia:** Chinese electric vehicle maker BYD announced on July 5th a significant investment of $620 million to build three production facilities in Brazil: one for the production of electric and hybrid cars, one for the production of chassis for electric buses and trucks, and a third that will process lithium and iron phosphate for the international market. It has been reported that the lithium and iron phosphate will be sourced from mines in country.

- **UK Export Bank Supports Monte Do Carmo:** Cerrado Gold announced on July 5th that the UK Export Credit Agency had expressed interest in providing up to $190 million in construction financing support for Cerrado's Monte Do Carmo Project located in Tocantins State, Brazil. Somewhat surprisingly, the Monte Do Carmo asset is not critical minerals-focused but rather a gold project.

- **ACG $1 Billion SPAC and Support from Major Players:** It was announced on June 12th that ACG, a London-listed special purpose acquisition company (SPAC), had agreed to buy the Santa Rita and Serrote mines from private equity fund Appian Capital for $1 billion. The deal garnered support from the automaker Stellantis, Volkswagen's battery subsidiary PowerCo, metal trader Glencore, and mining investment fund La Mancha. It was subsequently announced on July 18th that the deal had hit a snag surrounding the valuation; however, the general view is that it will ultimately go through.

- **La Mancha Continues its Splurge in Brazil:** La Mancha, a leading mining investment fund backed by Egyptian billionaire Naguib Sawiris, has now tripled down on Brazil with its $100 million investment into ACG. La Mancha has also placed big bets on Brazil-focused Horizonte Minerals and G Mining within the past eighteen months. Interestingly, aside from royalty interests held by La Mancha (and MJG partnership) investment Elemental Altus, Brazil is the only country outside of Africa in which La Mancha currently has exposure.

### *Key Advantages of Brazil as Mining Investment Destination*

This flurry of investment activity suggests that end users, trading houses, credit agencies, and investment funds are increasingly recognizing the advantages Brazil affords as a mining investment destination. The game has changed since the last commodities boom, with critical minerals in demand and factors such as ESG, carbon-intensity, and security of supply attracting strict scrutiny. It is in this context that we look at Brazil's key advantages as a mineral jurisdiction.

- **Rich Mineral Endowment:** Thanks in part to the sheer scale of the country at 5.6% of world landmass, Brazil boasts an abundant and diverse mineral endowment. While the country is perhaps best known for its prolific iron ore production (second only to Australia at 19% global market share), Brazil is also host to a diverse set of the critical minerals necessary for the global energy transition. These include copper, nickel, lithium, graphite, phosphate, manganese, REEs, tin, and vanadium.

Figure 2.1. **Location of mineral deposits in Brazil**


Source: ANM.

- **Deep Mining History:** Mining in Brazil has an extensive history dating from the colonial era to modern times. As a result, the industry has a skilled mining labor pool to draw from as well as a deep network of mining service providers and contractors. As with any jurisdiction, there is far greater social license for mining activity in some regions over others – with the lion's share of mining activity taking place in only three of Brazil's states (Pará, Minas Gerais, and Bahia).

- **Power Grid 85% Renewable:** Brazil's power grid skews towards hydroelectricity at roughly 55% of total supply, with other renewable sources comprising another 30% of the grid. With ESG credentials and carbon-intensity measures top of mind for many end-users and consumers, this provides the country a long-term competitive advantage over most other mineral jurisdictions and may ultimately lead to premium prices being paid for critical minerals that are mined in Brazil.

- **Strong Relations with Both China and the West:** Brazil's foreign policy has been characterized by its ability to maintain friendly relations with both China and the West. With China, Brazil shares strong economic ties, being a key trading partner and recipient of Chinese investments, particularly in infrastructure projects and agriculture. The relationship is further solidified through joint membership in the increasingly influential BRICS group. Simultaneously, Brazil maintains strong diplomatic and economic ties with Western nations, particularly the United States. In one example, Brazil is the only BRICS member to have established swap lines with the Federal Reserve – alongside steadfast United States allies such as Australia, Canada, Denmark, England, Japan, Korea, Mexico, New Zealand, Norway, Singapore, Sweden, and Switzerland.

***Potential Risks & Challenges***

Between its diverse mineral endowment, extensive mining history, CO2-friendly power grid, and strong relations with the world's key mineral consumers, Brazil's mining industry is well-placed to benefit from the ongoing energy transition. As with any mining jurisdiction however, the country is not without its share of risks.

- **Political Instability:** Brazil has only been a democracy since the mid 1980's. Corruption has been a persistent feature of Brazilian politics, leading to increased polarization and an erosion of trust in the country's institutions and leaders. Brazil's most recent presidential election was marred by significant unrest, culminating with the sacking of the country's National Congress building on January 5, 2023. The next presidential election is set to be held in October 2026, though the temperature may be lowered somewhat now that Brazil's highest electoral court has banned former president Jair Bolsonaro from seeking public office until 2030.

- **Environmental and Social Sensitivity:** The world has its eyes on the Amazon rainforest, and nobody more than current Brazilian president Lula da Silva. There is clear project-specific risk for exploration and development projects in country that impact, or have a perceived impact, on virgin rainforest. The same applies to projects that impact, or have a perceived impact, on the nearly three hundred indigenous groups that live in country.

- **Tailings Management:** Tailings management has become a hot-button issue within Brazil over the past decade after two catastrophic tailings dam failures at the Samarco Mariana Mining Complex (2015) and Córrego do Feijão Mine (2019), both iron ore mines in the state of Minas Gerais. These disasters make it unlikely that we ever again see a wet tailings facility permitted in Minas Gerais, while ensuring that wet tailings facilities proposed elsewhere in Brazil will face strict scrutiny from regulators and local communities. Brazil's natural propensity for heavy rainfall adds an additional layer of technical complexity for both wet tailings and the higher-cost dry stack alternative.

- **Managing Relations with the US:** On the foreign policy front, Lula has rankled many in the United States – and the West more broadly – by repeatedly refusing to condemn Russia's invasion of Ukraine and warmly greeting the far-left Venezuelan dictator Nicholas Maduro at a recent regional summit of South American leaders. He has also been a loud proponent of de-dollarization, a topic that will be at the top of the agenda at the BRICS Summit next month in Johannesburg. While a full collapse in relations is highly unlikely given the deep existing ties between the two countries, these actions risk driving a wedge between Brazil and its second largest trading partner.

### *How Brazil Can Further Its Appeal*

While Brazil's mining industry is well-placed should the status quo hold, there are numerous ways that the country could further its attractiveness as a mining investment destination. The list below is far from exhaustive and excludes obvious steps that can be taken, such as stamping out corruption, streamlining permitting, furthering infrastructure investments, improving coordination between provincial and federal authorities, and providing tax/financial incentives, that are non-specific to Brazil.

- **Lean Into Critical Minerals:** Brazil could be doing significantly more to highlight its rich critical mineral endowment. One example is its current exclusion from the Mineral Security Partnership (MSP), a US-led effort to build critical mineral supply chains outside of China. The MSP is currently comprised of thirteen member states and is actively adding to its ranks, with India the most recent country to join in June 2023. Brazil is an obvious fit for inclusion given its existing relationship with the United States and the diverse set of critical minerals that it can bring to the table.

- **Foster Domestic Capital Markets:** Brazil lacks functioning capital markets for early-stage mineral exploration and development. Currently, this capital is supplied from overseas by countries such as Canada, Australia, and the UK. Luis Azevedo, the president of the Brazilian Association of Mineral and Mining Research Companies (ABPM) and CEO of Bravo Mining (a MJG partnership holding), lamented in a recent BNamericas interview that local Brazilian investors have been reluctant to finance pre-production projects. (There is optimism however that this may be changing, as a good number of local investment funds and family offices have recently made significant returns in Brazil-focused lithium plays such as Sigma and CBL. It seems plausible that at least some of these profits will in turn be recycled into earlier-stage ventures.)

- **Continue Crackdown on Illegal Mining:** Illegal mining, referred to in country as "garimpo", is a massive business in Brazil. According to MapBiomas, garimpeiro activity in 2020 surpassed the area associated with industrial-scale mining – with over 90% of Brazil's garimpo concentrated in the Amazon biome. Illegal mining is environmentally destructive, exploitive of labor, disruptive to local and indigenous communities, and occasionally violent. Its prevalence within Brazil sullies the reputation of the country's formal mining sector with voters, end users, and consumers alike, while further complicating efforts to obtain the necessary social license for the country's next generation of mines. Unlike his predecessor, Lula has shown a willingness to crack down on garimpo in areas with acute environmental and social sensitivity.

### *Suggestions For Mining Investors*

- **Focus on the Carajás:** While understanding that individual mineral projects will ultimately live or die on their own merits, investors can increase their odds of investing in assets that are socially and environmentally viable by focusing their attention on the Carajás Mineral Province in Pará State. The Carajás is the marquee mining region within the country, with no less than eleven operating mines at present. It is also the location of the asset, the Carajás Iron Ore Mine, that grew Vale into the Brazilian mining champion that it is today. As a result, the Carajás has an existing road network, rail infrastructure, grid power, skilled labor, equipment suppliers, and the other trappings associated with an established mining district. Unlike Minas Gerais, the Carajás has to date avoided any tailings dam disasters.

- **Avoid Virgin Rainforest:** As mentioned previously, there is clear project-specific risk for exploration and development projects in country that impact, or have a perceived impact, on virgin rainforest. All things equal, projects located on ground previously disturbed by either agriculture or livestock grazing are far more likely to obtain the environmental and social license necessary to become a mine. (To be clear, this is as true in the Carajás Mineral Province as it is anywhere else in the country.)

- **Back Groups with Experience In-Country:** Brazil is not the place to back a first-time management team. Between language and cultural barriers, a bureaucracy that can be difficult to navigate, and the sometimes-parochial mentality of local communities, success in Brazil requires a team that is well-connected and sensitive to local concerns. Mining investors are best served when the key decision-makers within a given company, if not the CEO himself/herself, are Brazilian nationals.

In conclusion, Brazil's mining sector is poised for an investment boom, as the country's abundant mineral endowment, deep mining history, renewable-heavy power grid, and diverse trading partners are key advantages that position it favorably in the ongoing energy transition. The world's largest businesses and pools of capital are beginning to take note, as evidenced by the flurry of developments in recent weeks.

Despite the positive outlook generally, Brazil is not without its share of macro and project-specific risks that warrant close monitoring by investors and other stakeholders. Mining investors would be well-served to adhere to the country's nuances and can optimize their chances for success by focusing on opportunities within the Carajas Mineral District, avoiding at all costs projects covered by virgin Amazon rainforest, and only backing groups with deep experience and the right connections in-country.

# Overview of Partnership Holdings

The MJG partnership has exposure to different commodities, jurisdictions, and business models. As of June 30th, the partnership held nineteen publicly traded investments, two small private positions (both acquired via spin outs), and ten sets of out-of-the-money warrants (each valued at $0 for valuation purposes).

The partnership has added two new positions in 2023, with both initiated in January. We also liquidated two investments over the period. The number of publicly traded positions has increased by one since the January 2023 partnership letter, due to a spin out from one of our prospect generator positions completed in May.

Close readers of past MJG partnership letters will note that the partnership's 5% cash position is lower than it should be given the circumstances. In the broader equity markets, a three-month-old bear market rally entering 2023 has matured into what can only be considered a new bull market. Contrary to conventional opinion however, bull markets need not be long-lived. While the junior mining market has largely not participated in this move, it will get hit hard (as it always does) when the broader market next goes into a risk-off convulsion. It is a top priority to increase the partnership's cash weighting back into the double digits. While this does risk leaving some money on the table, it will serve us well should the increasingly vocal "soft landing" crowd prove misguided.

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

With that said, we continue to monitor our exposure to specific commodities, jurisdictions, and business models to manage risk within the MJG portfolio. Our portfolio construction is broadly the same as it was when the year began, though our exposure to Brazil continues to increase (now at 30% of MJG portfolio) on the back of strong performance by Bravo Mining, highlighted as the *Featured Investment* in the most recent MJG partnership letter.

I've just returned from two site visits in country and, while comfortable with our outsized exposure to Brazil between MJG investments Bravo Mining and Lara Exploration, have no intention of initiating new Brazil-focused positions for risk management purposes.

Included below is a snapshot of the MJG partnership investments as of June 30, 2023.

| Allocation by Commodity | |
|---|---|
| **Precious Metals** | |
| PGMs | 24% |
| Silver | 16% |
| Gold | 11% |
| **Energy Metals** | |
| Copper | 18% |
| Vanadium | 6% |
| Nickel | 5% |
| Rare Earths | 1% |
| **Ag Minerals** | |
| Phosphate | 6% |
| Potash | 4% |
| **Carbon Credits** | |
| Regenerative Agriculture | 4% |
| **Cash (USD)** | 5% |

| Allocation by Jurisdiction | |
|---|---|
| Brazil | 30% |
| Canada | 25% |
| United States | 9% |
| Mexico | 8% |
| Argentina | 6% |
| Côte d’Ivoire | 5% |
| Australia | 4% |
| Bosnia | 3% |
| Chile | 2% |
| Serbia | 2% |
| Estonia | 1% |
| **Cash (USD)** | 5% |

| Allocation by Business Model | |
|---|---|
| Prospect Generation | 21% |
| Exploration | 8% |
| Development | 44% |
| Production | 1% |
| Royalty/Streaming | 21% |
| **Cash (USD)** | 5% |

# Featured Investment

## Kenorland Minerals (TSXV: KLD)

The MJG partnership first initiated a position in Kenorland Minerals in February 2020, via participation in a C$0.25 financing while the company was still a private concern. After participation in the go-public financing in November 2020 as well as subsequent open market purchases, the MJG cost basis sits at roughly C$0.56 per KLD share. Kenorland currently trades at C$0.70 as of July 28, 2023.

Kenorland is a prospect generator with a geographical focus on Quebec, Ontario, Manitoba, and Alaska. The Kenorland technical team has successfully utilized its geological know-how and industry connections to ink partnerships with some of the world's deepest-pocketed mining companies, including Newmont, Barrick, Antofagasta, Sumitomo, and Centerra Gold.

Kenorland, alongside partner Sumitomo, has already made a significant grassroots discovery at the Frotet Gold Project in Quebec and retains 20% ownership at the project-level. With five drill programs and an impressive C$29.4 million in partner spend anticipated across the KLD suite of projects in 2023, Kenorland has optimized its chances of participating in a second major discovery.

The company also compares favorably to peers on several key metrics relevant to the prospect generation business model:

- A 0.69x "price-to-partner spend" multiple reflecting Kenorland's current enterprise value of approximately C$20m and the C$29.4 million in partner spend expected across the company's suite of projects in 2023. Of the forty prospect and royalty generators tracked closely by the MJG partnership, only five have a lower multiple.

- Quantifiable downside protection afforded by a substantial working capital position relative to current market capitalization. Kenorland has approximately 40% downside from its current share price, all else equal, before reaching its liquidation value. Through this lens, Kenorland at its current share price presents less potential downside than all but four of its peers.

- A long runway until further equity dilution may be necessary. In 2023, Kenorland expects management fees, milestone payments, and other income to fully offset G&A. While the company does plan to sole-fund C$3.7 million in exploration expenditures in 2023 on its 100%-owned ground, we are still looking at a runway of roughly seven years as it stands. This places KLD in the top quartile of its peers when it comes to risk of further equity dilution.

- A well-incentivized management team, with Kenorland's board and management collectively owning roughly 14% of the company. This places KLD in the top third of its prospect and royalty generator peers in the "skin-in-the-game" department.

Grassroots exploration is an inherently high-risk endeavor, with failure by far the most likely outcome for any given mineral prospect. The beauty of the prospect generation business model is that it (a) limits share dilution, the bane of existence for the average junior explorer, (b) reduces downside risk in the likely case of failure at a given project, and (c) affords multiple “shots on goal” for a potential discovery at any given time. While no guarantee for success, Kenorland is executing beautifully on the model.

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.

Kenorland’s expansive project portfolio is then covered in further detail. Next, the company’s current valuation is put into context using proprietary data from the MJG prospect generator database.

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

## Company Background

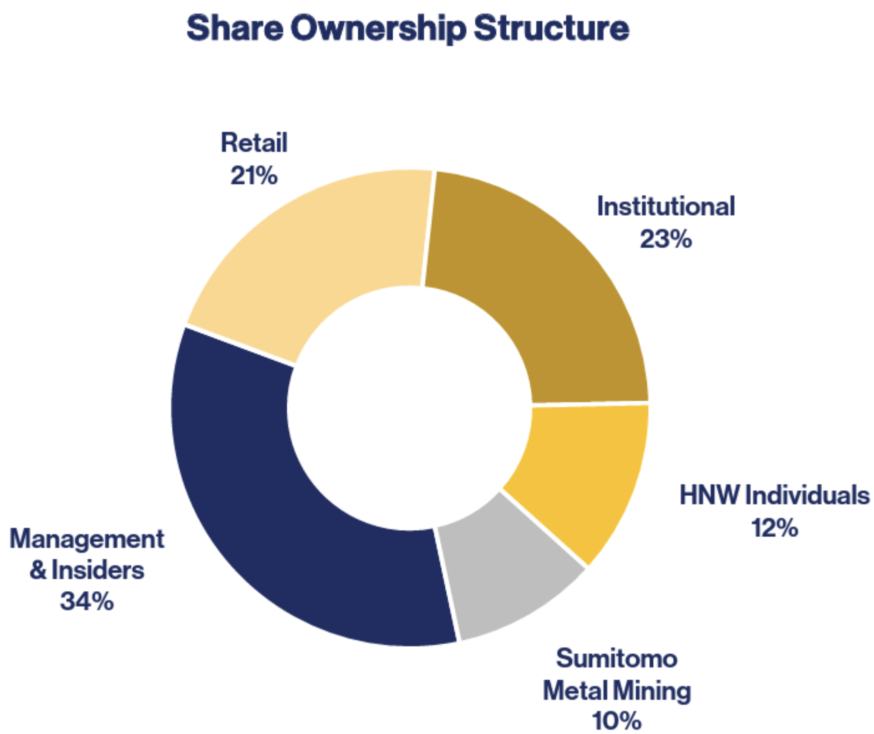
Kenorland was formed in 2016 by four exploration geologists: Zach Flood, Francis MacDonald, Scott Smitts, and Dave Stevenson. Zach Flood has served as the Kenorland CEO since inception and possesses a unique combination of skills – geological know-how, deep industry connections, capital markets savvy, and the willingness and ability to promote the KLD story. (Before founding Kenorland, Zach worked for Robert Friedland and his umbrella of Ivanhoe Group companies.) Zach owns 10% of Kenorland on a fully diluted basis and has purchased 321,500 KLD shares on the open market within the past year at prices between C$0.67 and C$0.79.

Francis MacDonald, formerly with Newmont in North America and East Africa, served as Kenorland’s President until October 2022 when he stepped down to take the CEO role at Li-FT Power – a C$350m hard rock lithium developer with projects in the Northwest Territories and Quebec. (Kenorland, a founding shareholder of Li-FT, has successfully monetized ~C$16 million in Li-FT shares over the past seven months.) Francis remains in position to indirectly drive additional value for KLD shareholders, as Kenorland holds a 2% NSR on Li-FT’s Rupert Project that is currently being drilled.

Scott Smitts, who also spent years with Newmont as a Senior Geologist within NEM’s Exploration Development Group, serves as Kenorland’s VP of Exploration while Dave Stevenson rounds out the founding team as Chief Geoscientist. While not nearly as market-facing as either Zach or Francis, Scott and Dave have played significant roles in scaling the Kenorland business to its current extent. It takes an extremely deep technical team to manage this number of active exploration programs in one go.

Beyond board and management, there are several significant KLD shareholders worthy of mention. John Tognetti, the Chairman Emeritus at Haywood Securities, owns roughly 19% of Kenorland and has been a backer from the company’s earliest stages. Sumitomo Metal Mining Canada, a subsidiary of US$25 billion Japanese trading house Sumitomo Corporation, owns just over 10% of the company – in addition to its three project-level partnerships with Kenorland at the Frotet, Chicobi, and O'Sullivan projects.

Other significant shareholders include Paul Stephens, Rick Rule, and Adrian Day's EuroPacific Gold Fund. These three investors have decades of experience backing prospect generation and royalty businesses, and their involvement speaks to the quality of Kenorland's shareholder roster. In total, Kenorland's ten largest shareholders own a hefty 67% of the company.




**Source: Kenorland Minerals Corporate Presentation. May 2023.**

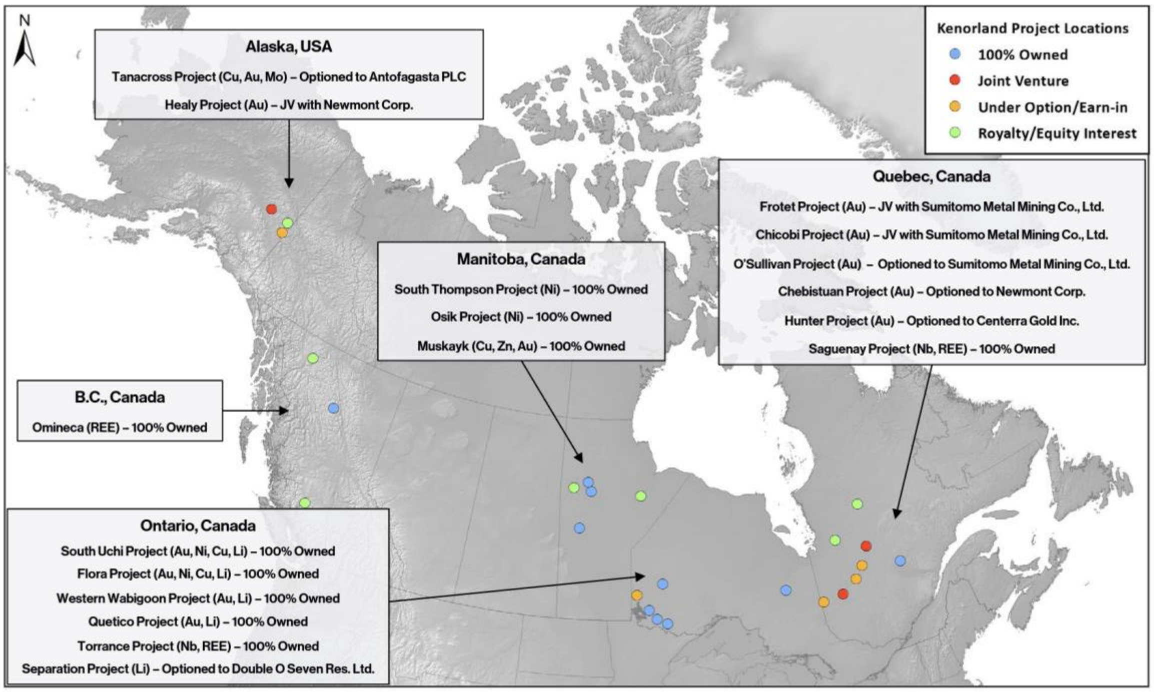
Kenorland has a rock-solid balance sheet with C$23 million in cash, no debt, and an additional C$3 million in marketable securities. (The company also holds shares in numerous private outfits, with a combined value of roughly C$2.5 million.)

Thanks to its healthy cash position, the company is afforded roughly seven years of runway at current G&A and partner spend levels. For the foreseeable future, CEO Zach Flood can tell prospective investors that their only way into the Kenorland story is through buying on the open market.

Kenorland sports a clean share structure with 62.7 million common shares outstanding, 10.8 million options priced between C$0.075 and C$1.00, and 1.4 million warrants exercisable at C$0.70. (The company would add another C$6.3 million to the till were all options and warrants exercised.) On a fully diluted basis, Kenorland has market capitalization of approximately C$52 million.

# Overview of Project Portfolio

Kenorland has exposure to over 1.5 million hectares of mineral tenure across Quebec, Ontario, Manitoba, Alaska, and British Columbia. Kenorland's formation in 2016 just after the conclusion of the severe 2011-2015 mining bear market allowed the company to pick up vast swathes of ground in a counter-cyclical manner. Kenorland's exploration strategy consists of first targeting the most prospective geological domains and then picking up large-scale land packages within these domains in areas with low exploration maturity (often due to glacial overburden or post-mineral cover).




**Source: Kenorland Minerals Investor Presentation. May 2023.**

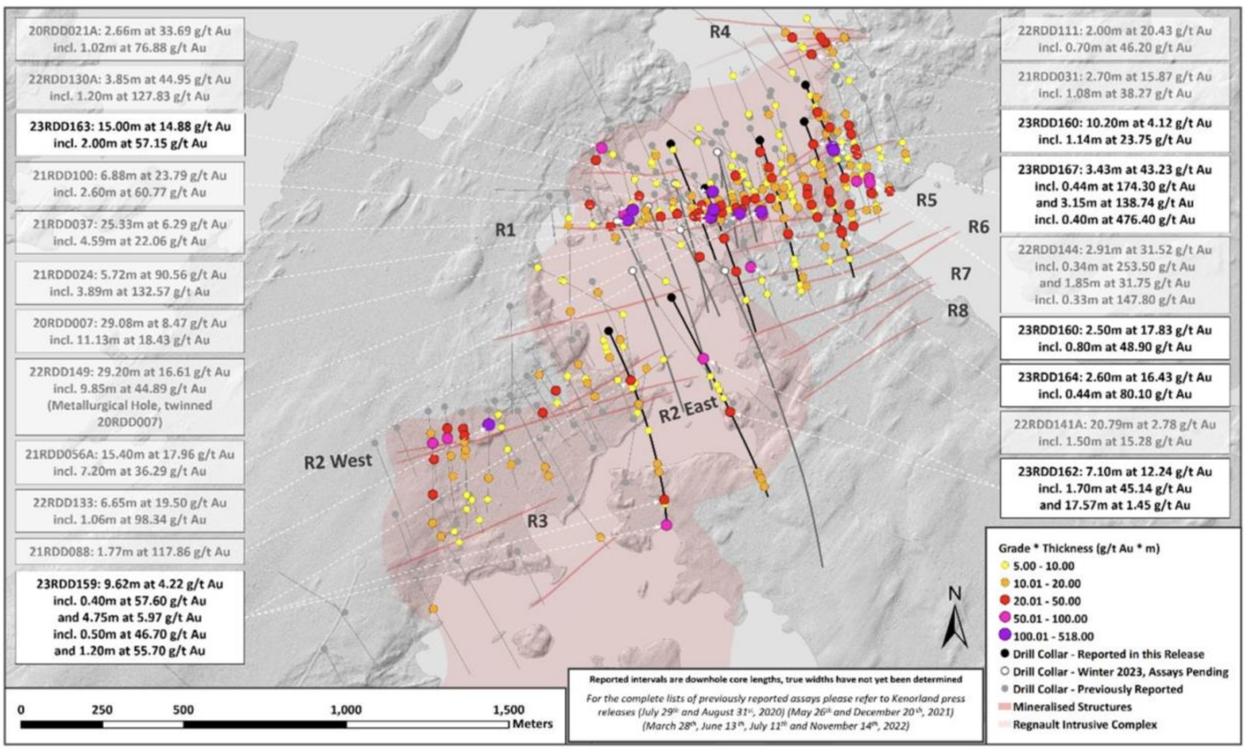
At present, the Kenorland portfolio consists of eight active JV/earn-in deals, seven royalty/equity interests, and at least eleven 100%-owned projects awaiting a partner. Below we discuss the Frotet Project in greater detail, before touching on the remainder of the portfolio.

***Frotet Gold Project***

Kenorland's most significant asset is a 20% project-level interest at the Frotet Gold Project in Quebec's Northern Abitibi domain. Frotet was originally staked by Kenorland in spring 2017 before being optioned to partner Sumitomo Metal Mining Canada Ltd, a subsidiary of the $25 billion Japanese trading house. The deal is now structured as an 80/20 joint venture, with Sumitomo Metal Mining Canada completing its initial 80% earn-in by sole-funding C$8.3 million in exploration between 2017 and mid 2021.

The partners struck gold in the maiden fifteen-hole drill program in winter 2020, with discovery hole 20RDD007 returning 29.08 meters at 8.47 g/t Au from 72 meters depth. Research from the Kenorland team (culminating in the "Discovery Study" available on the company's website) suggests that five-million-ounce deposits in Canada typically see a greater than 134 gram-meter intercept over at least ten meters in the initial drill program. At 247 gram-meters and over 29 meters thickness, Hole 20RDD007 suggested to both Kenorland and Sumitomo that Frotet had five-million-ounce potential.

As a result, Frotet has been subject to near continuous drilling and the efforts continue to bear fruit. In total, Frotet has already seen over 70,000 meters of drilling and roughly C$37 million in expenditures (with roughly C$30 million of this total expenditure number funded by Sumitomo). The top drill results from the most recent program can be seen below.




**Source: Kenorland Minerals news release. May 31, 2023.**

A Phase VI drill program of at least 10,000 meters will be commencing imminently. Metallurgical test work is ongoing, with initial results yielding 86.9% gold recoveries under baseline conditions and up to 89.9% recoveries with extended leaching, finer grind size, and increased dissolved oxygen.

Kenorland's 20% interest is difficult to value with any precision given that Frotet is a pre-resource project with a non-publicly traded partner. Would the Frotet Project, a high-grade grassroots discovery in Quebec with a dozen intercepts of at least 100 gram-meters to date currently open in multiple directions, be valued somewhere in the region of C$100 million were the project held 100% by a junior? Perhaps, but this is just idle speculation until the drilling to date is wrapped into a maiden mineral resource. With the project nearing 100,000 meters of drilling, it's not unreasonable to anticipate a maiden resource at Frotet in the next year or two.

***Exploration Partnerships***

Beyond Frotet, Kenorland has an additional five active exploration partnerships – with two of these undergoing diamond drill programs this year. At the Chebistuan Project in Quebec, Newmont recently funded a seven-hole, 2,170-meter program. Drill results were announced late last month, with hole 23DODD005 encountering a mineralized porphyritic intrusion over 157 meters averaging 0.41 g/t Au from 84 meters depth. This broad intercept of gold mineralization is highly encouraging for a property that had never before been drilled. While a Phase II drill program has yet to be announced, it is likely that Newmont will continue with the project. Kenorland has a free-carry at Chebistuan through a Prefeasibility Study (with a minimum of 1.5 million ounces) before the deal becomes a standard 80/20 joint venture.

The other Kenorland project undergoing drill testing this year is the Tanacross Project in eastern Alaska, under partnership with copper miner Antofagasta Minerals. (Antofagasta must spend US$30 million over eight years and deliver a PEA before the deal becomes a standard 70/30 joint venture.) Tanacross hosts a cluster of porphyry copper occurrences in mineralization similar in age to Western Copper and Gold's massive Casino system 140 kilometers to the southeast of the project. Tanacross has seen 17,000 meters of drilling over sixty-seven drill holes, with the best historical result 232.56 meters at 0.31 % Cu, 0.25 g/t Au, 0.036% Mo at the East Taurus target. In this year's program, Antofagasta is funding 4,500 meters of drilling over three target areas. First results can be realistically expected in early Q4 2023.

Kenorland has three additional exploration partnerships funded by name brand partners at the O'Sullivan Project (Sumitomo), Chicobi Project (Sumitomo), and Hunter Project (Centerra Gold). Summer 2023 planned exploration work at O'Sullivan includes a lake sediment geochemical survey, detailed mapping, and a regional airborne VTEM survey, while Chicobi and Hunter both have follow-up "drill-for-till" sonic drill programs planned for this quarter. At the current rate of progress, each of these projects should be ready next year for maiden diamond drill programs.

***Equity Positions***

In addition to the success in attracting big-name partners, Kenorland has also proven adept in vending projects to junior explorers in exchange for cash, shares, and a royalty. One example is Li-FT Power, into which Kenorland vended its Rupert lithium project in July 2021. In the two years since, Kenorland has monetized C$16 million in shares and still holds a healthy 2.5% royalty at Rupert. Not a bad piece of business by any means!

Kenorland still holds a position in Li-FT in addition to shares in three other publicly listed juniors with which it has done deals: Jayden Resources, Kingfisher Metals, and Targa Exploration. The value of these share positions totals roughly C$2.5 million. In each case, Kenorland also retained a royalty interest.

Kenorland also owns equity interests in four private vehicles: J2 Metals, Koulou Gold, Prospector Royalty, and Superior Nickel. The combined value of these positions is roughly C$2.5 million, based on the most recent financing price of each. (In addition to shares, Kenorland also holds 2% royalty interests at J2's Napoleon Project in Alaska and Superior Nickel's Fox River Project in Manitoba.)

***100%-Owned Ground***

Kenorland holds at least eleven 100%-owned projects across Quebec, Ontario, Manitoba, and British Columbia. The Muskayk and South Thompson projects, both in Mantioba, were highlighted in the company's most recent generative update. Muskayk is a 39,522-hectare property in the Rusty Lake Greenstone Belt (RLGB) staked by Kenorland in late 2022. Despite hosting the 70Mt Ruttan VMS Mine, the RLGB has seen limited modern exploration and no significant geochemical surveys. Community engagement is currently underway along with planning for an initial regional geochemical survey.

The South Thompson Project, which sits roughly 250 kilometers due south of Muskayk, is a massive 383,704-hectare land package on the southern extension of the Thompson Nickel Belt (TNB). Like many Kenorland projects, this one is large in scale with the prospective geology sitting under post-mineral cover. But South Thompson is unique for Kenorland in that the ground has seen significant historical work, including roughly 300 drill holes. The Kenorland technical team has already compiled and digitized all historical exploration data, with the focus now on generating drill targets for an initial round of diamond drilling.

A third 100%-owned land package worthy of mention is the 65,657-hectare South Uchi Project located in the Red Lake District in northwestern Ontario. Up until January 2023, South Uchi was subject to an option deal that saw Barrick Gold fund US$4.3 million in geochemical surveys, drill-for-till sonic drilling, and detailed mapping between Sept 2021- Jan 2023. While this work didn't turn up a gold-focused target compelling enough for Barrick to advance to drilling, it did outline (a) a large nickel-copper anomaly in an area broadly mapped as mafic-ultramafic rocks and (b) multiple lithium-cesium anomalies indicating the potential of pegmatite systems. Kenorland's technical team is excited to piggyback off the work funded by Barrick and get both targets drill tested in the relatively near future.

## Valuation

Ultimately, Kenorland will need to participate in a second discovery to drive significant value from its current share price. Management is keenly aware of this and, based on the frenzy of activity across the Kenorland project portfolio this year, clearly are not resting on their laurels after the success at Frotet.

With this said, there is a good case to be made that the KLD share price should be significant higher as the company stands today. This can be gathered by looking at how much Kenorland shareholders are paying per $1 of partner spend, and then comparing this ratio to its prospect generation peers.

As referenced earlier, Kenorland sits at a 0.69x price-to-partner spend multiple given its current enterprise value (approximately C$20 million) and the expected partner spend in 2023 (C$29.4 million).

In other words, current KLD shareholders are paying $0.69 for every $1 of partner spend expected this year.

The MJG partnership recently updated its prospect generation database by canvassing forty prospect generators for their expected partner spend over the course of 2023. The results are in, with the median price-to-partner spend multiple across the prospect generator space currently 3.45x. Put differently, investors in Kenorland's median peer are paying $3.45 for every $1 of partner spend.

The implication is that Kenorland is being valued much more cheaply per dollar of partner spend than its peer group. (As mentioned previously, there are only five other prospect generators with lower multiples.) This is despite the Kenorland team executing on this business model as well or better than any other group out there. The disconnect simply does not make sense.

Now the question arises, what would the KLD share price need to be for Kenorland to be valued on par with its median peer? The Kenorland enterprise value would need to more than quadruple from its current level to roughly C$99 million (C$99m EV / C$29m partner spend = ~3.45x). Adding an additional C$32 million to reflect Kenorland's cash, marketable securities, and expected warrant/option proceeds takes us to C$131 million, or roughly C$1.75 per fully diluted share.

More conservatively, let's look at where Kenorland would need to be valued to receive half the multiple of its median peer. This would require Kenorland's enterprise value to more than double from its current level to roughly C$50 million (C$50m EV / C$29m partner spend = ~1.73x). Adding an additional C$32 million to reflect Kenorland's cash, marketable securities, and expected warrant/option proceeds takes us to C$82 million, or roughly C$1.09 per fully diluted share.

There are of course caveats to the above. We are dealing with relative valuations, and it's distinctly possible that the median prospect generator is overvalued (perhaps by quite a bit). Additionally, not all partner spend is created equal; deal terms and partner fit really do matter. And then there's the fact that partner budgets will vary from year to year. A large partner budget in 2023 is no guarantee of a similarly large number in future years.

Nonetheless, the above exercise does suggest that the Kenorland share price could more than double from current levels before the company is no longer cheap relative to its peer group. And more broadly, it provides confidence that investors at current levels are far from overpaying for Kenorland. Despite the business firing on all cylinders, it is very clearly not valued as such.

## Upcoming Milestones

Provided below are the expected Kenorland milestones between now and year end. As can be seen, the company is not lacking in potentially impactful news flow in the near-term. Given the company's track record in attracting partners, it would not be surprising to see an additional deal or two announced as well.

- Remaining drill results from winter program (13,360 meters) at Frotet Project **by end Q3 2023**
- Drill results from summer program (10,000 meters) at Frotet Project **by end 2023**
- Drill results (4,000 meters) at Tanacross Project funded by Antofagasta **by end 2023**
- Drill results (5,000 meters) at Rupert Project funded by Li-FT **by end 2023**

## Conclusion

Between its deep and well-respected management team, numerous active partnerships with name brand counterparties, prolific inventory of 100%-owned ground, and multi-year runway before the company needs to consider financing again, Kenorland checks all the boxes that one looks for in a prospect generator business.

While it is likely that Kenorland will need to participate in a second discovery to drive significant value from its current share price level, there is an argument to be made that, as is, its share price could be more than double its current level based off the price-to-partner spend multiples currently assigned to the company's peer group.

At the very least, we know that (a) KLD shares are far from overpriced despite the business firing on all cylinders and (b) shareholders are provided multiple swings at a new discovery in just the next six months, with results expected from no less than four different drill programs by year end. The MJG partnership will remain patient with its position.

# Featured Investment Updates

Over the course of previous MJG partnership letters, *Featured Investment* write-ups have been included for twenty-four 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 eight 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.

**Bravo Mining (TSXV: BRVO)**

Featured In: **January 2023**
Average Cost Per Share: **US$0.50**
Current Market Price (July 28, 2023): **C$4.90**

Bravo Mining was featured in the most recent MJG partnership letter. Bravo has been a MJG partnership holding since its pre-IPO financing in early 2022 at US$0.50. In the period since, the BRVO share price has increased greater than seven times and currently sits as the MJG partnership's largest holding by a significant margin. The MJG partnership has taken its first chips off the table (less than 10% of the overall position) in recent weeks at prices north of C$4.00, however this reflects MJG portfolio-specific risk management versus a diminishment in conviction in the Bravo story.

I was able to participate in a site visit earlier this month and observe Luanga firsthand. As was expected, the project is buzzing with activity – including four diamond drill rigs turning, surface micro-gravity and detailed ground magnetics programs in progress, and ongoing data processing and interpretation from the recently completed HeliTEM survey. While not on site at Luanga, Bravo also has a four-person metallurgical team working full-bore at the CETEM facility in Rio de Janeiro with test work ongoing in Belo Horizonte. First detailed met results are expected later this quarter, followed by a maiden NI 43-101 mineral resource by year end.

There were two big takeaways from the visit. The first is that Bravo has no less than four avenues to drive value at Luanga. The lowest hanging of the fruit is to first, incorporate the project's exceptional rhodium grades into the resource, and second double the depth of the fresh rock mineralization from ~150 meters to ~300 meters.

Then, there is the oxide zone. While originally thought of as waste, Bravo's May 8th news release suggests that the company is gaining confidence that the oxide portion of the resource may be of high enough grade to be processed. We should have much better visibility into whether this is remotely feasible when initial metallurgical results are announced later this quarter.

And finally, there is the possibility of finding the nickel and copper-rich feeder to the Luanga system, which would be by far the most impactful of these. The recent HeliTEM survey is expected to yield up to a couple dozen targets and, with over C$50 million of cash in the till, Bravo has the means to test each of them.

The second takeaway is the extreme disconnect between the demand for BRVO shares and their respective supply. At least one generalist fund with over $1 billion in AUM established an initial position in the recent C$3.50 financing that closed on June 8th and has been buying on the open market since. Additionally, insider filing reports indicate that BlackRock has also been purchasing shares on the open market in the weeks since the financing closed.

Meanwhile, roughly 60% of Bravo's issued shares are locked up through June 2024 – with over 80% of these shares held directly by CEO Luis Azevedo, an unlikely seller even after the lock up lifts. (Luis has purchased over 300,000 BRVO shares on the open market since the IPO twelve months ago.) It is really quite the remarkable set up.

Included below are some of the key milestones expected from the company over the coming eighteen months. With over C$50 million in the bank, Bravo is more than funded to complete each of these objectives without further equity dilution.

- Initial metallurgical test results at Luanga **by end Q3 2023**
- Maiden NI 43-101 mineral resource at **by end 2023**
- "Preliminary License" environmental permit received at Luanga **by end Q1 2024**
- Phase II drill results (21,500 meters) fully released at Luanga **by end Q2 2024**
- PEA announced at Luanga **by end 2024**

Put simply, an investment in Bravo is a bet on the right people, in the right place, with the right asset. CEO Luis Azevedo stated his intention right from the beginning to build BRVO into a $2-3 billion company over the next several years, and it is hard to argue the results to date. Given the importance of the BRVO position within our overall portfolio, the MJG partnership will continue to monitor the company's progress extremely closely.

**Star Royalties (TSXV: STRR)**

Featured In: **July 2022**
Average Cost Per Share: **C$0.51**
Current Market Price (July 28, 2023): **C$0.32**

Star Royalties was featured in the MJG partnership's July 2022 letter. Star has been a MJG position since a September 2020 financing when the company was still private. Open market purchases, as recently as earlier this month, have lowered the partnership's cost basis to C$0.51 per share.

Regrettably, Star Royalties has been our single worst performing position over the previous twelve months. As discussed in the January 2023 partnership letter, this has largely been a symptom of light news flow, continued operational challenges at the Elk Gold Mine in British Columbia (over which Star holds a 2% NSR), and a sharp decline in the pricing of global nature-based offset credits since early 2022 (though it's well worth noting that the pricing of the US-based nature removal offsets most relevant to STRR's CarbonNOW regenerative agriculture investment have held up remarkably well over this same period.)

The company's current share price more than reflects these headwinds. Star is really two businesses within one and, as it stands, investors are getting one of these businesses for free. This can be thought of in two different ways. The first is looking at Star's 62% interest in its subsidiary Green Star, a carbon credit royalty and streamer. Green Star, which remains private to this point, raised C$15.4 million from gold mining heavyweight Agnico Eagle just over year ago at a C$40.4 million post-money valuation. This values STRR's 62% interest at roughly C$25 million, which exceeds the company's current enterprise value of C$22m. In this scenario, STRR investors at current levels are getting Green Star at a slight discount and the company's three mineral royalty/streaming assets (Elk Gold, Copperstone, and Keysbrook) entirely for free.

Alternatively, we can look first at the company's three main mineral royalty/streaming assets which were acquired for approximately C$34 million cumulatively in three separate transactions between October 2020 and September 2021. In other words, Star is currently being valued at a 35% discount to the book value of its relatively recent royalty and stream acquisitions. This probably shouldn't be taken at face value however, as the ongoing operational issues at Elk Gold as well as longer-than-expected wait for first production at Copperstone suggest that Star overpaid for these assets (though Star management would likely argue that it's too early to render a final verdict on any of these purchases).

Let's for the sake of argument assume that STRR ultimately overpaid for these assets by 50%, not a trivial figure by any means, and that the actual fair value of its mineral royalty assets is closer to two-thirds of book value – or C$23 million. This line of logic would suggest that current STRR investors are paying roughly fair value for the mineral royalties, with the 62% interest in Green Star coming for free.

Included below are the potential milestones for Star Royalties and Green Star over the coming eighteen months. Due to market conditions, it is more likely than not that Green Star will raise its next financing privately while delaying its eventual go-public transaction. Should a private Green Star financing occur in the next six months, the very earliest that STRR shareholders could expect a Green Star IPO or RTO is sometime during 2024.

- Updated Mineral Resource & PEA at Elk Gold Mine **by end 2023**
- First revenue from CarbonNOW regenerative agriculture program **by end H1 2024**
- Green Star announces go-public transaction **by end 2024**
- Final construction decision at Copperstone Mine **by end 2024**
- Green Star deploys a cumulative US$20.6 million into CarbonNOW **by end 2025**

Star Royalties continues to be the partnership's only carbon credit-focused investment. Despite the disappointing share price performance to date, we will continue to give STRR and its experienced, well-incentivized management team a long leash. After all, the MJG partnership loves both royalties and redundant assets. In the case of Star at its current share price, investors are getting both of these in one vehicle.

**Elemental Altus (TSXV: ELE)**

Featured In: **January 2022**
Average Cost Per Share: **C$1.39**
Current Market Price (July 28, 2023): **C$1.20**

Elemental Altus, formerly Altus Strategies until its merger last year with Elemental Royalties, was first featured in the January 2022 letter. (The MJG partnership initially invested in Altus Strategies in an April 2018 private placement.) The partnership's post-merger cost basis sits at C$1.39 per share.

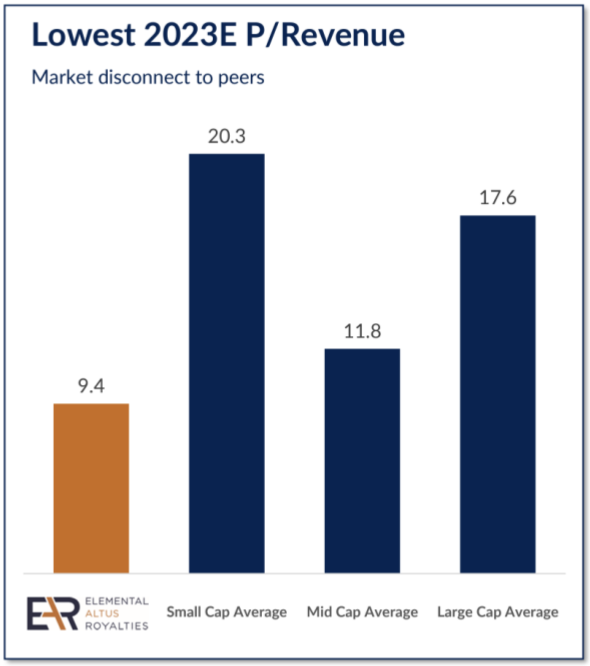
While one may be fooled by the stagnant share price, Elemental Altus has been incredibly active so far in 2023 with the company adding no less than twenty-two new royalties to its portfolio through generative activity and acquisition. ELE now has royalty exposure to over eighty assets across four continents, with ten of these currently in production.

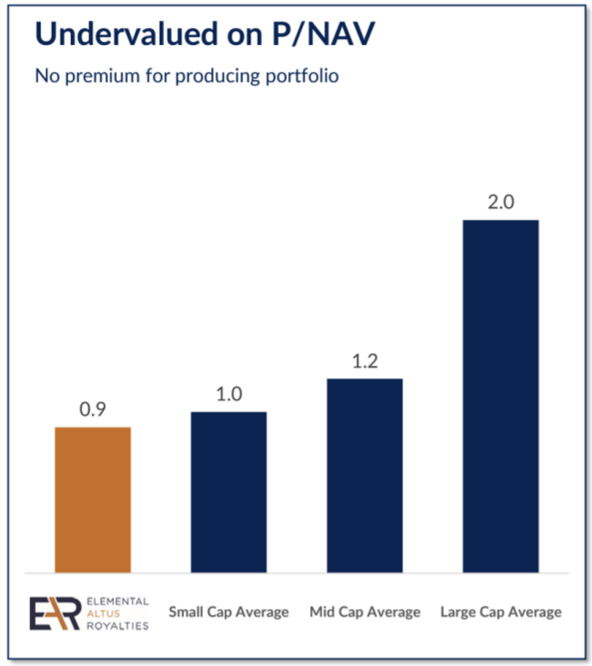
Perhaps the most significant development over this period was the recent sale of the company's Diba and Lakanfla gold projects in western Mali to Allied Gold, operator of the adjacent Sadiola Gold Mine. (The team previously behind Yamana are taking over management of Allied Gold, which recently raised US$250 million ahead of a proposed IPO on the TSX in August.) Diba and Lakanfla have a combined a resource of approximately 650koz located within 15 kilometers of Sadiola. Elemental Altus will receive cash of up to US$6 million as well as a 3% royalty on the first 226koz produced and a 2% NSR thereafter on all further production from the licenses.

Arguably there was little to no value being ascribed to Diba and Lakanfla in the ELE share price. The transaction has the potential to realize an additional US$15-20 million in NPV based on the existing ounces at Diba and Lakanfla, with the possibility that more are ultimately found. First cashflow from the newly generated 2-3% NSR could be received as soon as next year, with Allied Gold expected to fast-track Diba's oxide material into the Sadiola mine plan.

A further significant development over this period was Lundin Mining's acquisition of a 51% majority stake in the Caserones Copper Mine in Chile for US$950 million. The deal is a distinct vote of confidence in the asset, while also ensuring that a world-class operator (with a history of brownfield exploration success) will be at the helm. Elemental Altus has increased its royalty interest at Caserones twice so far this year and, to the company's credit, the first of these transactions occurred just weeks before Lundin Mining's acquisition hit the wires. Elemental Altus now holds an effective 0.473% NSR at Caserones, which is neck and neck with Karlawinda as the company's single most important royalty asset.

Elemental Altus remains cheap relative to its royalty peer group, both on a P/NAV basis and particularly on a P/Revenue basis. This is despite the company's well-balanced portfolio spread between different commodities and jurisdictions, a hungry, well-incentivized team (at 11% board and management ownership), a low cost of capital relative to similarly sized peers, and a superb assemblage of shareholders.




**Source: Elemental Altus Investor Presentation. July 2023.**

Included below are the expected milestones for Elemental Altus and/or its royalty counterparties over the coming eighteen months. Given how active the company has been on acquisition front (with no less than three royalty purchases so far this year), it would not be surprising to see additional royalties enter the fold in the coming months.

- Drilling and/or corporate activity at 100%-owned ground in Egypt **by end 2023**
- "Full production from royalty area" at Bonikro Gold Project **by end 2023**
- Sale of Ming Mine on which ELE holds gold stream **by end 2023**
- Sale of Ballarat Mine on which ELE holds 1.25% NSR **by end 2023**
- First royalty revenue from 2-3% NSR at Diba Gold Project **by end 2024**

Most immediately, a decision on the direction of the 100%-owned ground in Egypt has the potential to be a share price catalyst. I came away thoroughly impressed after visiting the Wadi Jundi Project in February – one of six projects that Elemental owns in Egypt – as well as spending time with the company's in-country technical team.

Options for the Egypt project portfolio include a sale, spin-out, merger, or earn-in deal. The company conceivably could do a single transaction covering all six projects, or alternatively deal them one by one. The announcement just last week that Barrick and Centamin have successfully agreed to exploitation terms with the Egyptian government increases the likelihood that we see near-term movement on this front from Elemental Altus.

**Strategic Resources (TSXV: SR)**

Featured In: **July 2021**
Average Cost Per Share: **C$1.98**
Current Market Price (July 28, 2023): **C$1.59**

Strategic Resources was featured in the July 2021 partnership letter. The MJG partnership first initiated its position via a private placement in October 2020 priced at C$2.10 (split-adjusted). Our average cost currently sits at C$1.98 per share.

Strategic closed its RTO with BlackRock Metals on March 31st, with shares resuming trading on April 12th after nearly a four-month halt. Shareholders of Strategic pre-transaction now own roughly 14% of the combined company, with much of the rest split between Orion Mine Finance and Investissement Quebec (IQ) at roughly 41% ownership each. Other shareholders of note include Ross Beaty (2.7%), Lumina Group (1.5%), Cree Nation (2.6%), and Aurion Resources (2.3%). Key members of management, including CEO Sean Cleary, EVP Corporate Development Scott Hicks, and CFO Dan Nir, have cumulatively added approximately C$60,000 in SR shares on the open market (at prices between C$1.92 and C$3.00) since the company resumed trading on April 12th.

Given how tightly the company is apparently held, the share price slide from the post-halt opening price of C$3.00 to the current share price of C$1.59 is disconcerting. Part of the reason has been a distinct lack of news flow, with the only tangible announcement being the appointment of a senior advisor. (To be fair, the appointee Simon Wandke is highly qualified for this role given his previous experience as the CEO of ArcelorMittal Mining, the fifth largest producer of iron ore globally.)

The paucity of news flow stems directly from the stage of the company's BlackRock asset, a shovel-ready project in wait of a construction financing package. As such, the number of expected milestones is quite limited. Absent a new acquisition or alternatively an unexpected sale of the project, the only significant share price catalysts on the horizon relate to the construction financing package falling into place.

- Appoint lead bank to arrange debt portion of construction financing package **by end Q3 2023**
- COO hired by the company **by end 2023**
- Finalize construction financing package at BlackRock Project **by end 2023**
- Break ground at BlackRock Project **by end Q2 2024**

As it stands, the Strategic Resources story is not difficult to grasp. With an enterprise value of roughly C$85 million, the company is valued at just under fifty cents on the dollar in terms of the C$180 million in historical expenditures at the BlackRock Project and a paltry 0.04x NAV multiple considering the C$1.932 billion after-tax $NPV_8$ outlined in the November 2022 Feasibility Study. (Viable feasibility-level mining projects can easily garner multiples of 0.3x NAV if not well higher, particularly those that are fully permitted as is the case with BlackRock.)

Judging by the current valuation, the market is telling us in no uncertain terms that this project will not be built anytime soon. This may ultimately prove correct; there's no denying that the C$1.47 billion initial capex bill outlined in the Feasibility Study is a formidable ask, particularly in what has been a soft-pricing environment for both iron ore and ferrovanadium.

With this said, there are better parties to bet against in the resource sphere than Orion, IQ, and Ross Beaty, the company's three largest shareholders. Those holding SR shares will be rewarded should the company and its key backers defy market consensus on the construction financing front, or alternatively engineer an exit to a larger party with the intention of building the BlackRock mine and/or the Saguenay metallurgical complex themselves. These coming six months will be crucial, with the company's latest corporate presentation guiding for a construction financing package to be secured by year end.

**Nova Royalty (TSXV: NOVR)**

Featured In: **January 2021**
Average Cost Per Share: **C$0.30**
Current Market Price (July 28, 2023): **C$1.66**

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

Nova announced the abrupt departure of CEO Alex Tsukernik on May 16th, with three members of the Nova board of directors resigning the next day. As the dust settled, it became clear that this mass exodus did not stem from a fundamental flaw within Nova's business or royalty portfolio but rather a sharp disagreement on the company's strategic direction amongst key members of leadership.

While the NOVR share price has actually traded up 7% from the day before the exits began, it is hard to make the case that this was a positive development for the long-term future of the Nova business. As a co-founder and the CEO from the company's earliest stages, Alex was integral in building Nova into the copper royalty platform that it is today. Nova is now left with half of its board, an interim CEO, and an uncertain direction going forward.

The company has since hired PI Financial "to commence a process to explore, review and evaluate all options that may be available to the Company to maximize shareholder value". Nova can now go in one of three ways:

- Hunker down with a barebones management team and board, minimize burn to the greatest extent possible, and hold on to the company's royalty assets for a sale at a later date. At its core, this approach would be a glorified bet on higher copper prices and/or the market for copper royalties heating up further from where it is today.

- Rebuild a dedicated management team and continue to grow the Nova business. The risk here is evident. With the odd exception, the best people in this industry are already neck deep in their own ventures. Absent some fortuitous circumstances, the company risks settling for a team that is either sub optimal or already stretched thin by other obligations.

- Take this as an opportunity to sell the Nova royalty portfolio to the highest bidder. There would be no lack of interest; the risks here are (a) leaving money on the table by selling too soon and/or (b) accepting paper from what turns out to be a lousy business.

It is the last of these that is the strong preference from a MJG partnership perspective, though there are two management teams with previous royalty experience potentially available that could change the calculus. The market for copper-focused royalties, producing or otherwise, is red hot. In just the past 45 days, we have seen four different transactions (Royal Gold at Serrote and Santa Rita, Osisko Gold Royalties at Costa Fuego, Elemental Altus at Caserones, and Ecora at Vizcachitas) in which copper royalties were either bought or originated. Of note is that two of these acquirers, Royal Gold and Osisko Gold Royalties, are both groups with deep pockets not typically associated with copper.

There are legitimately a dozen publicly traded mineral royalty companies that could plausibly make a move for Nova, not to mention likely interest from pension funds and private equity. Given the evident competitive tension along with the current state of the market, a 50% premium bid from current levels would be well within the realm of possibility should Nova go this route. In light of these circumstances as well as the tumult at the company level, Nova's leadership would be doing shareholders a disservice by not seriously considering a sale of the business.

**Lara Exploration (TSXV: LRA)**

Featured In: **January 2020**
Average Cost Per Share: **C$0.65**
Current Market Price (July 28, 2023): **C$0.80**

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 open market 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 adhering strictly to the prospect generation business model. I had the pleasure earlier this month of visiting the company's flagship Planalto Copper Project, where Lara has a 30% interest free-carried through first production by earn-in partner Capstone Copper. As expected, there was significant activity on site with Capstone (assisted in no small part by Lara VP Exploration Michael Bennell) in the midst of a four-rig, 10,000m drill program slated for completion by the end of September.

The drill program as planned will consist of a couple dozen drill holes, with seven of these completed as of Lara's most recent news release on July 5th. Three drill rigs (one of which is shown below) were turning at the time of the site visit, with a fourth undergoing standard maintenance. Anecdotally, the project appears particularly easy to drill – with superb road access, gentle topography, stable ground conditions, excellent core recoveries, and no lack of nearby options for drilling services. The partners have yet to announce first results from the program, suggesting a healthy dose of news flow from Planalto between now and year end.

**Source: MJG Site Visit. July 2023.**

The ongoing drill program has multiple objectives, including: (a) testing the northern and southern strike trends of the recent Cupuzeiro discovery, (b) searching for extensions of the mineralization to the southwest and southeast of the existing Homestead deposit, (c) testing the gap between Homestead and Cupuzeiro, and (d) progressing infill drilling at Homestead. Potentially the most significant of these is the testing the 300-meter gap between the Homestead deposit and Cupuzeiro to the north. In a best-case scenario where the two zones converge, one could conceivably begin viewing this as a single open pit rather than two discrete deposits.

Beyond the current drill program, the pace of progress at Planalto is expected to remain brisk with the partners guiding for a PEA in Q1 2024. This will be the first time that economics, let alone a mineral resource, are wrapped around the project – an obvious potential share price catalyst. Capstone has also committed to drill a minimum of 22,000 meters at Planalto next year, which will be the project's largest ever drill campaign.

Provided below are the Planalto-specific milestones expected over the coming eighteen months. Absent a sudden resolution to the long running Liberdade litigation, the activity at Planalto should be the key driver of the Lara share price for the foreseeable future.

- Drill results (10,000 meters) from ongoing program at Planalto **by end 2023**

- PEA announced at Planalto **by end Q1 2024**

- Drills results (~22,000 meters) at Planalto **by end 2024**

With a C$37 million enterprise value and years of working capital runway, Lara offers compelling value based solely on its 30% free-carried interest at Planalto. While this is not yet appreciated by the market, the PEA slated for Q1 2024 (not to mention the ongoing drilling) has the potential to shift perceptions rather quickly.

In addition to Planalto, the Lara portfolio also includes a host of assets both in Brazil as well as Peru and Chile. These include royalty interests, equity positions, project-level stakes, and 100%-owned ground, and provide exposure to commodities as disparate as copper, phosphate, and vanadium. While all eyes are on Planalto for the time being, it would be foolish to rule out the potential for significant value to emerge elsewhere in Lara's broader portfolio.

**Adriatic Metals (ASX: ADT)**

Featured In: **January 2019**
Average Cost Per Share: **A$1.07**
Current Market Price (July 28, 2023): **A$3.59**

Adriatic Metals was featured in the January 2019 partnership letter. The company is one of the longer-held MJG partnership investments, with the position first initiated in September 2018 at A$0.39 in the weeks after the Rupice discovery hole. Subsequent purchases, as recently as June 2022 between A$1.90 and A$2.00, have increased our cost basis to A$1.07 per share. The MJG partnership has trimmed its position in recent months (at prices between A$3.28 and A$3.70) and has now more than recouped its initial investment.

Adriatic continues to offer healthy upside from current levels but will need to stick the landing on mine commissioning and then ramping up to nameplate capacity in a timely manner. This is a treacherous task, even for the ablest of management teams. Adriatic has guided for initial production in November 2023, commercial production in January 2024, and nameplate capacity at both the mine and processing plant by the end of April 2024. Assuming the above timetable, concentrates are required to be on-spec by July 2024.

With first production rapidly approaching, the market will increasingly shift its attention to these four production milestones. Absent something out of left field, the fate of the ADT share price over the next twelve months will hinge on whether they are achieved.

This is not to say that there haven't been positive developments beyond the mine build. Stellar drill results have continued to flow from the Rupice Northwest zone (RNW) where the company had three drill rigs turning up until recently. This includes the discovery of the RNW "Lower Zone" (first announced on April 20$^{th}$) which has yielded remarkably high-grade intercepts such as 17.50 meters at 2,041.9 g/t AgEq, 9.30 meters at 2,624.8 g/t AgEq, and 6.10 meters at 1,735.6 g/t AgEq in its limited drilling to date.

Rupice Main and RNW continue to be characterized by particularly complex geology, but the Adriatic technical team appears to be getting an increasingly better handle on the intricacies. Irrespective of whether discoveries are made elsewhere on the broader Vares Concession, the metal endowment of the Rupice license will continue to grow – and perhaps considerably so.

On that note, the company announced just last week an updated mineral resource estimate which for the first time incorporated RNW. At just over 21 million tonnes grading 497 g/t AgEq at a 50 g/t AgEq cut-off, the updated resource both increases the grade and nearly triples the tonnage of the ore reserve from the September 2021 Definitive Feasibility Study (7.3 million tonnes at 485 g/t AgEq). This suggests a multi-decade mine life and, just as importantly, indicates that there will be plenty of high-grade material from RNW to plug the significant drop-off in grade assumed in year six of the DFS life-of-mine plan. Not that it was needed, but the Rupice projected economics just got that much better.

Provided below are the more significant Adriatic milestones expected between now and achieving nameplate production. Each of the first four will need to be completed this quarter for the company's timeline to remain on track.

- Haul road completed **by end Q3 2023**
- Refurbishment of railhead and railway line completed **by end Q3 2023**
- Commercial services agreement signed with BiH Railways **by end Q3 2023**
- Commercial services agreement signed with Port of Ploce **by end Q3 2023**
- First concentrate production at Vares Project **by end November 2023**
- Update to the Rupice ore reserve and life-of-mine plan **by end 2023**
- Commercial production announced at Vares Project **by end January 2024**
- Nameplate capacity achieved at both the mine and processing plant **by end April 2024**

There remains healthy upside from current levels should Adriatic execute to plan. In the goldilocks scenario in which the company seamlessly ramps up to nameplate production while avoiding any further equity dilution, the Vares Project is set to generate US$221 million in post-tax free cashflow in its first full year of commercial production. Applying a middling 5x multiple to this figure leads to a fully diluted share price of approximately A$5.70 at the current exchange rate. In this goldilocks scenario, we could see such a share price assigned to Adriatic as soon as commercial production is announced in January.

**Sama Resources (TSXV: SME)**

Featured In: **January 2018**
Average Cost Per Share: **C$0.14**
Current Price (July 28, 2023): **C$0.17**

The MJG partnership first invested in Sama Resources via a C$0.15 private placement in late 2016. We've added to the position along the way on the open market, with an average cost basis of C$0.14 per share. Sama is the single longest held position within the MJG partnership portfolio.

Sama has been one of the better performers within the MJG portfolio thus far in 2023, with shares up over 30% YTD. While in past periods the company could be accused of lacking in news flow, this has certainly not been the case as of late – with no less than seven substantive announcements so far this year. This includes the remaining three sets of drill results from what was the largest-ever drilling campaign at the Samapleu Project (funded entirely by earn-in partner Ivanhoe Electric), two rounds of metallurgical test work, the announcement of a pending spin-out of the company's nickel exploration assets in Quebec, and most recently a mineral resource update for the combined Samapleu and Grata deposits.

The updated resource announced June 27th was the most significant of these developments, and it pleasantly surprised to the upside. The January 2022 partnership letter stated that *"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"*.

Sure enough, Grata did surpass Samapleu as the larger deposit by quite a healthy margin – with a pit-constrained resource of just under 70 million tonnes for Grata compared to roughly 47 million tonnes for Samapleu Main + Extension. As seen below, Grata is also the higher grading of the deposits at roughly 0.24% Ni and 0.25% copper. In total, the combined resource of just under 117 million tonnes more than doubles the project's previous resource of 51 million tonnes.

Table 1: Samapleu & Grata Deposits Mineral Resource Statement

| Classification | NSR Cut-off | Deposit | Tonnes | Ni (%) | Cu (%) | Pt (g/t) | Pd (g/t) | Au (g/t) | Co (%) |
|---|---|---|---|---|---|---|---|---|---|
| Indicated | $ 16.34 | Main | 13,425,000 | 0.24 | 0.22 | 0.10 | 0.31 | 0.04 | 0.02 |
| | | Extension | 201,000 | 0.28 | 0.18 | 0.10 | 0.55 | 0.02 | 0.02 |
| | | Grata | 1,363,000 | 0.29 | 0.27 | 0.11 | 0.29 | 0.04 | 0.02 |
| | | **Total** | **14,989,000** | **0.25** | **0.22** | **0.10** | **0.31** | **0.04** | **0.02** |
| Inferred | | Main | 22,343,000 | 0.25 | 0.20 | 0.08 | 0.28 | 0.04 | 0.02 |
| | | Extension | 11,119,000 | 0.28 | 0.22 | 0.10 | 0.47 | 0.02 | 0.02 |
| | | Grata | 68,424,000 | 0.24 | 0.25 | 0.10 | 0.26 | 0.04 | 0.01 |
| | | **Total** | **101,886,000** | **0.25** | **0.23** | **0.10** | **0.29** | **0.04** | **0.01** |

**Source: Sama News Release. June 27, 2023.**

Next up in the Ivory Coast is an updated PEA expected late this year. This study won't simply be a cost updating exercise, as the original PEA announced in May 2020 only incorporated Samapleu Main + Extension and not Grata. Given that Samapleu Main + Extension alone delivered a not-insignificant US$391 million after-tax $NPV_8$ in the original PEA, those not following the Sama story closely may be surprised by the scale of the project in the upcoming PEA update.

It would be remiss not to also note a key development from SRG Mining, who on July 5th announced a strategic agreement and C$16.9 million investment from C-ONE. C-ONE is one of the lowest cost anode material producers in China and owns several natural graphite mines feeding its downstream chemical purification, thermal purification, spheroidization, and ALS-like coating facilities. C-ONE, having only recently completed construction of a large scale-mine and associated concentrator in China, will be providing SRG with a turnkey EPC proposal for development of both the Lola Graphite Project as well as downstream processing facilities. Sama of course owned the Lola Project originally before its spin-out into SRG Mining and still owns a 13.3% equity position in SRG, the value of which covers over 25% of Sama's current market capitalization.

Provided below are the milestones that Sama shareholders can expect before year end. Given the company's outsized share ownership position in SRG Mining, major milestones expected from SRG have been included as well. At least for the next six months, the pace of news flow will remain brisk.

- SRQ Resources spin-out completed and SRQ shares trading **by end Q3 2023**
- First drill results at Lac Brule from SRQ Resources **by end 2023**
- Updated PEA announced for combined Grata and Samapleu operation **by end 2023**
- PEA from SRG Mining for spherical graphite conversion facility in Europe **by end 2023**

Coming back to the Ivory Coast, Sama's partner Ivanhoe Electric (who still has roughly CS$2m left of spend before completing its 60% earn-in) will have a decision to make upon the release of the updated PEA. There are three plausible paths forward for Ivanhoe Electric: (a) push forward with development of a combined Samapleu-Grata operation, (b) sell the project and use the proceeds to fund its flagship assets in the United States, or (c) sit on the project for the time being. Sama shareholders will likely be pleased with either of the first two options but not with the third. We should have a clearer picture after the PEA is announced later this year.

## 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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