

Criticality of Supply in the Age of Trump



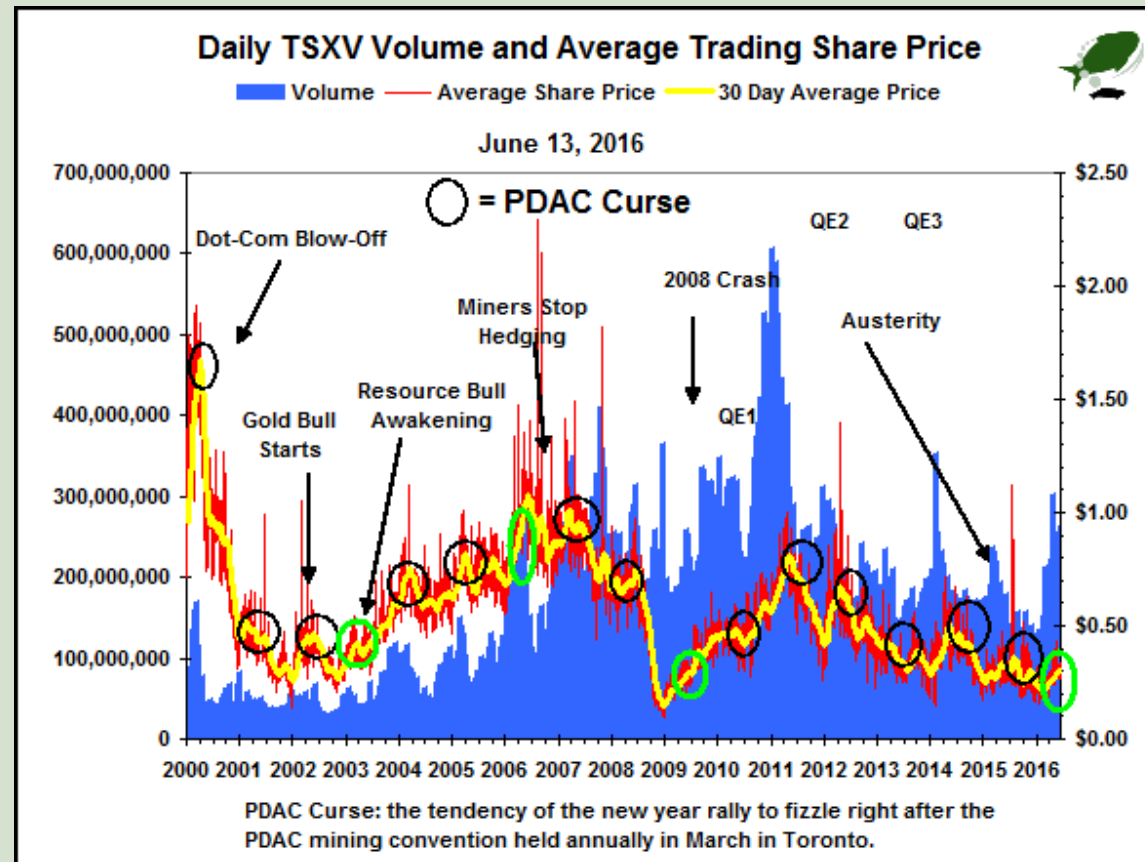
Presented by John Kaiser

Vancouver Commodity Forum

June 14, 2016

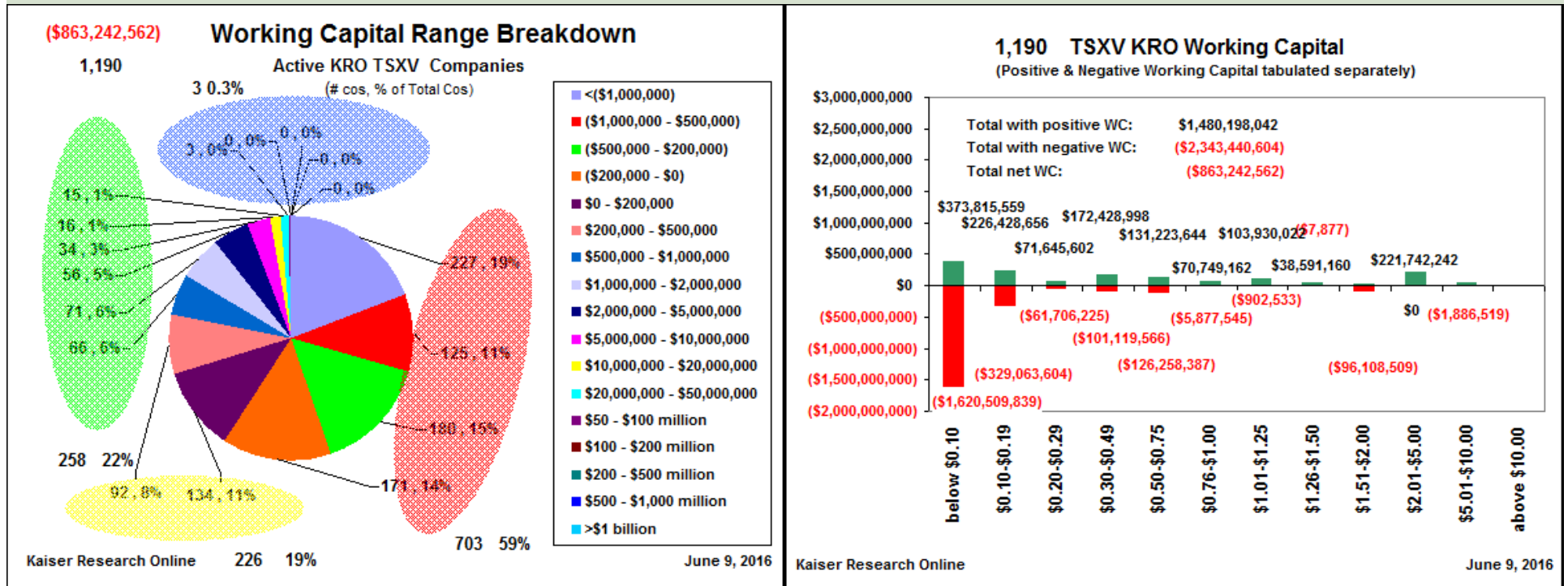
Vancouver, Canada

The PDAC Curse was broken in 2003, 2006 & 2009



This is also true in 2016, but for how long?

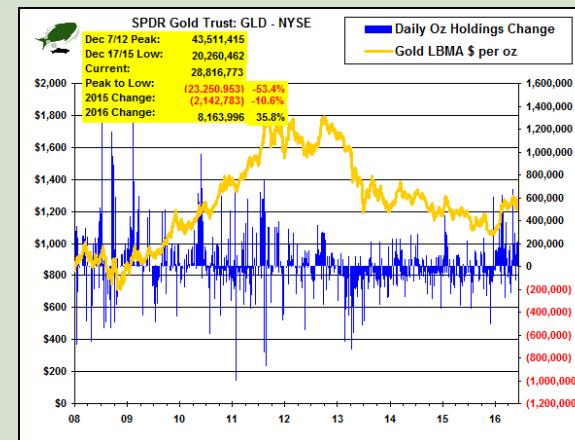
Less than half of TSXV resource juniors have positive working capital totaling \$1.5 billion while the rest owe \$2.4 billion that will never be paid back.



Financings are happening again but we are still not out of the woods.

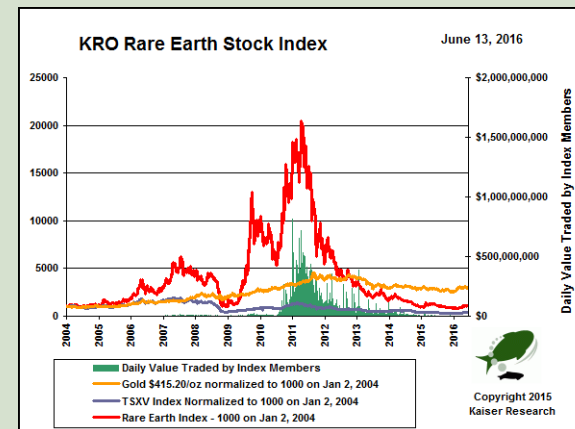
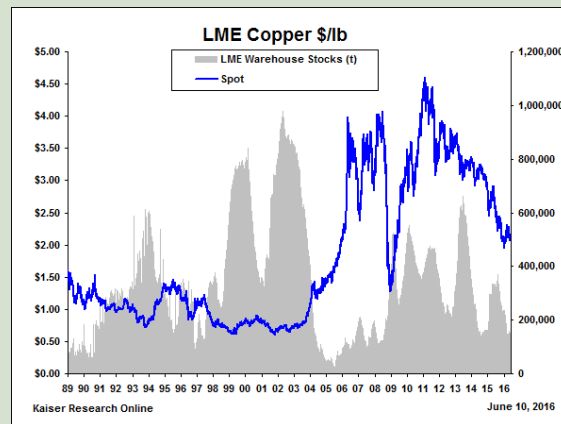
The Four Core Narratives for the Junior Resource Sector

**Discovery
Exploration**



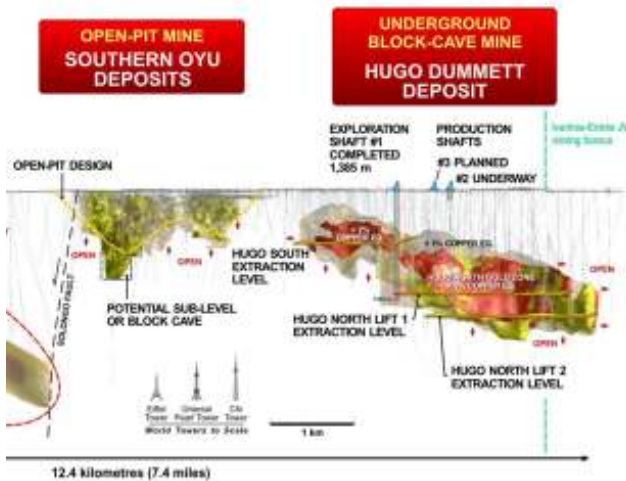
**Gold
Bug**

**Commodity
Cycle**



**Security
of
Supply**

Discovery Exploration: finding a deposit that is feasible at prevailing metal prices.



Juniors must return to discovering deposits that work with the metal prices we have. They can do this through 1) applying new exploration methods, 2) grassroots exploration, 3) rethinking existing systems.

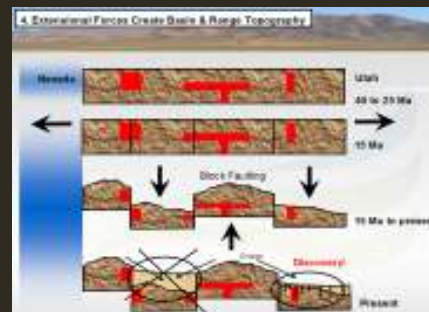
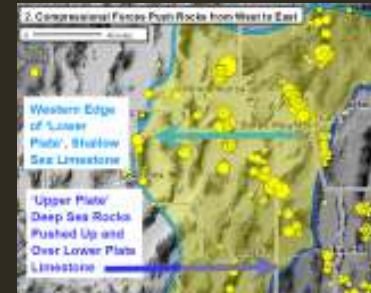
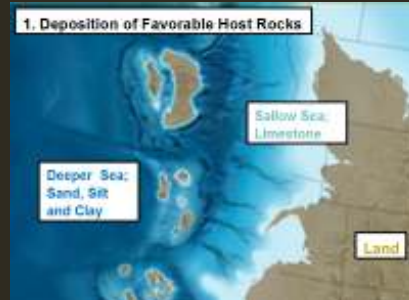
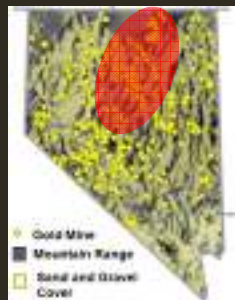
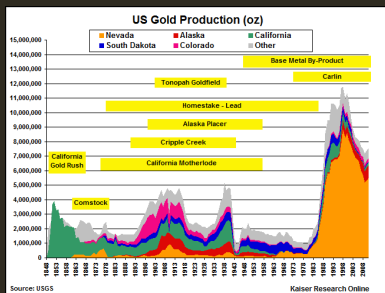
Marginal deposits are only interesting if a case can be made that the system has greater potential, such as Robert Friedland demonstrated at Oyu Tolgoi with the Hugo Dummett discovery.

Probe's Borden project is a recent example of a grassroots discovery whose 5 million oz open-pittable disseminated resource became worthless as the gold price dropped below \$1,200, but where ongoing exploration revealed a higher grade underground zone that attracted a \$500 million buyout from Goldcorp.

Nevada Expl Inc, Sirios Resources Inc, and Arizona Mining Inc are excellent examples of each approach.

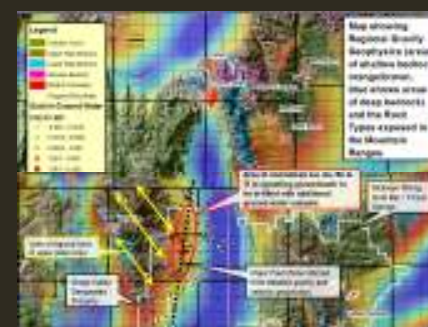
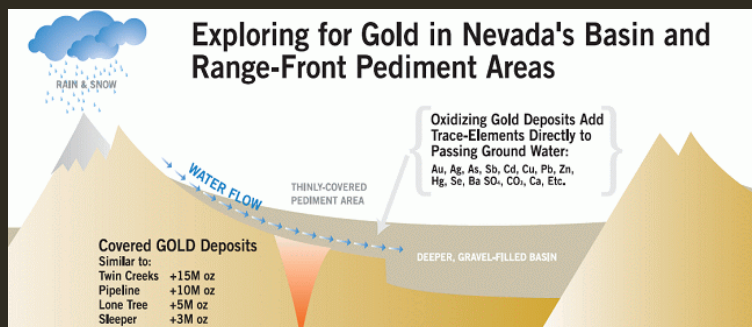


Is groundwater chemistry the key to finding Nevada's missing gold?

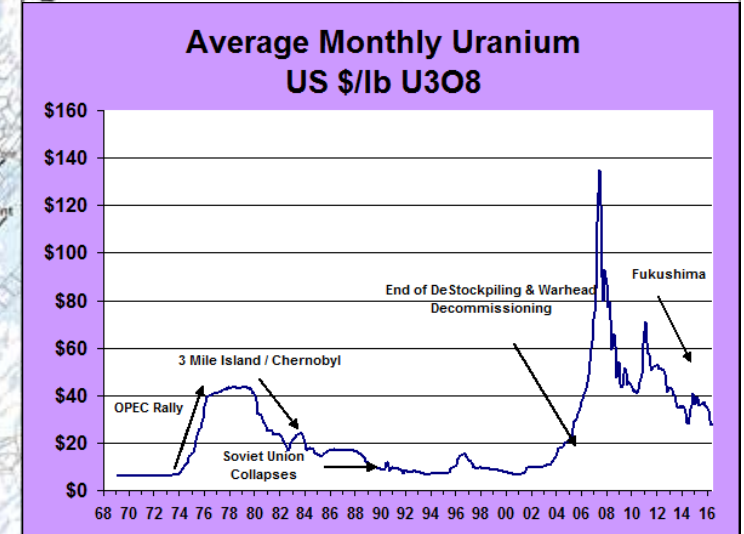
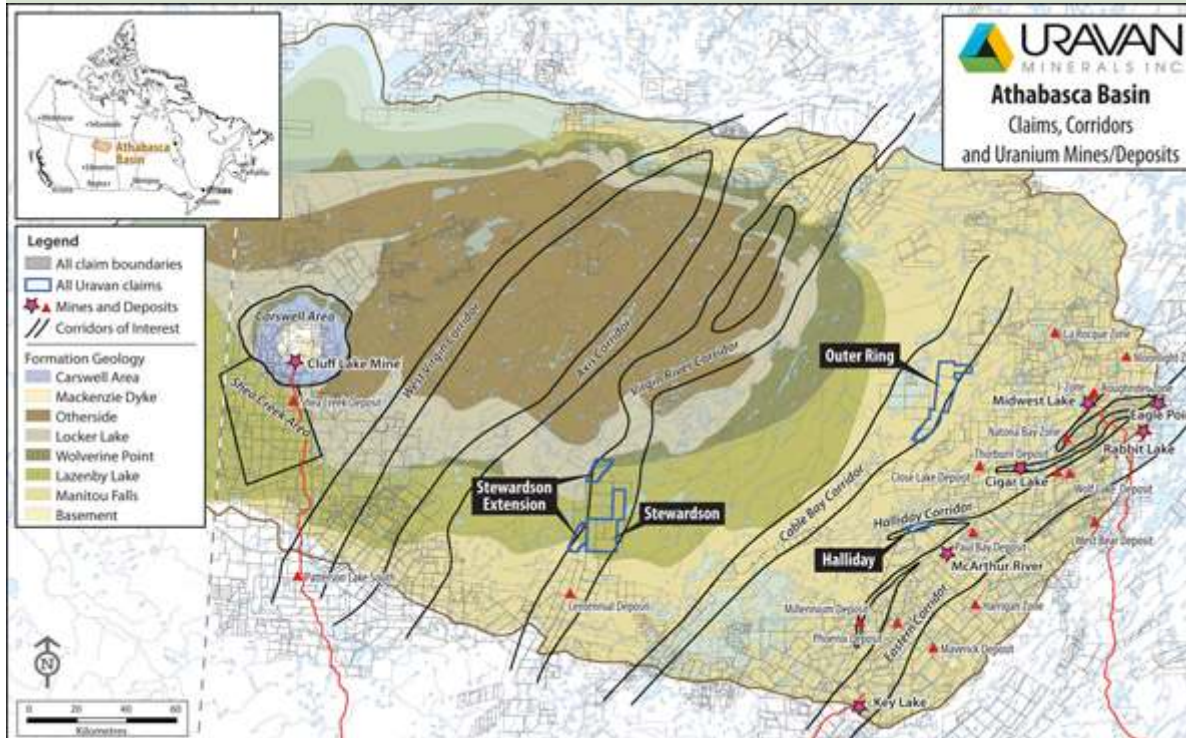


Exposed GOLD Deposits (before 1990):	
Gold Acres	<0.3Moz
Cortez Gold	2.0Moz
Horse Canyon	<0.2Moz
Total Oz	2.5Moz

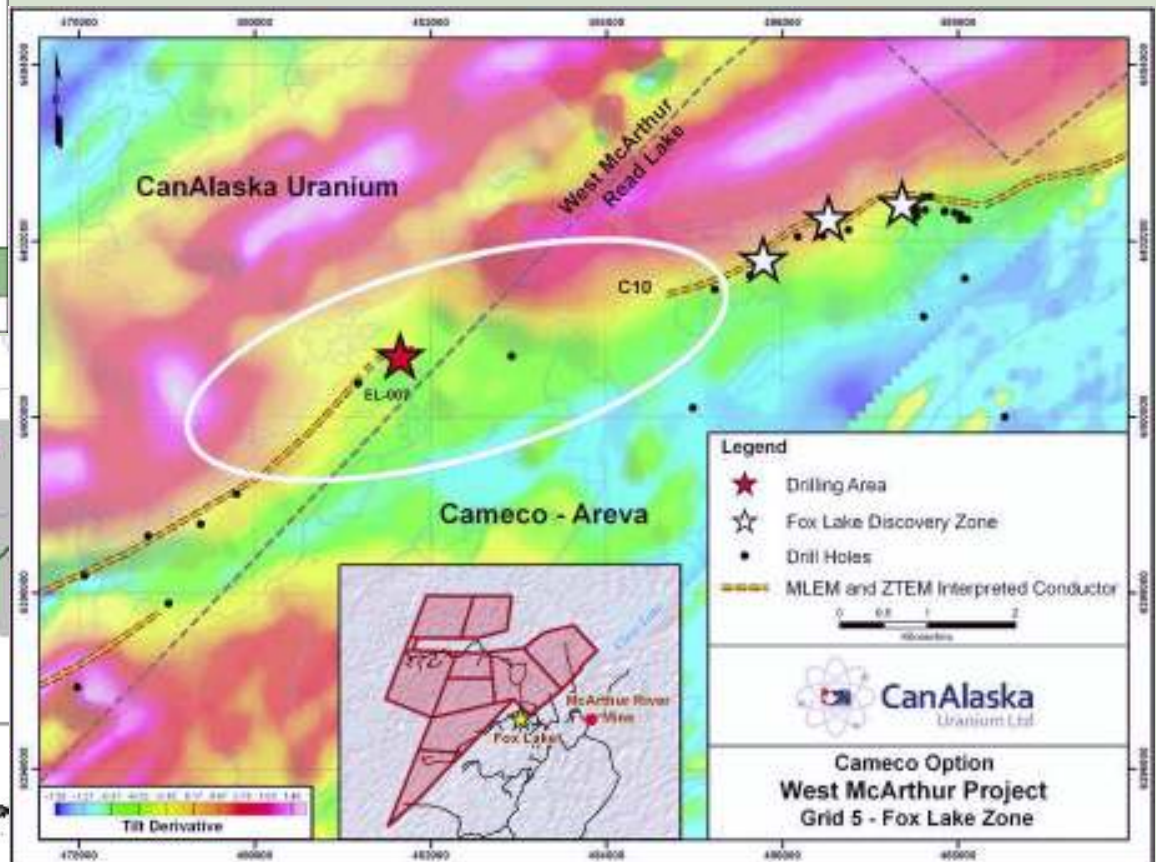
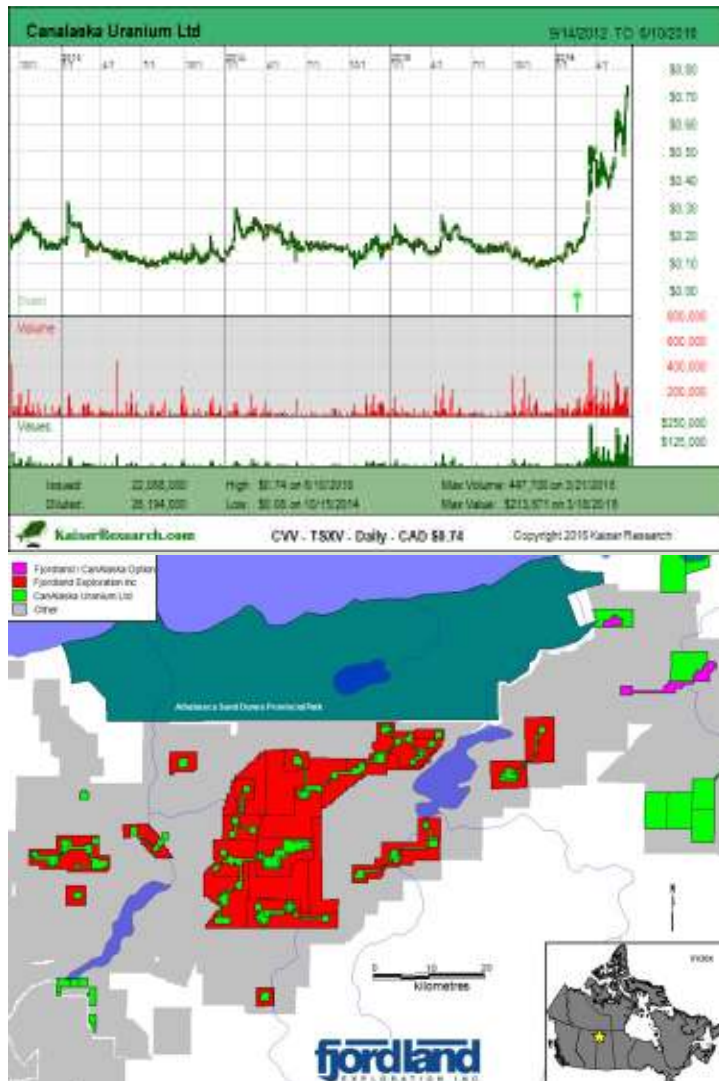
Covered GOLD Deposits (since 1990):	
Pipeline	17.2Moz
Cortez Hills	15.0Moz
Goldrush	15.6Moz
Total Oz	47.8Moz

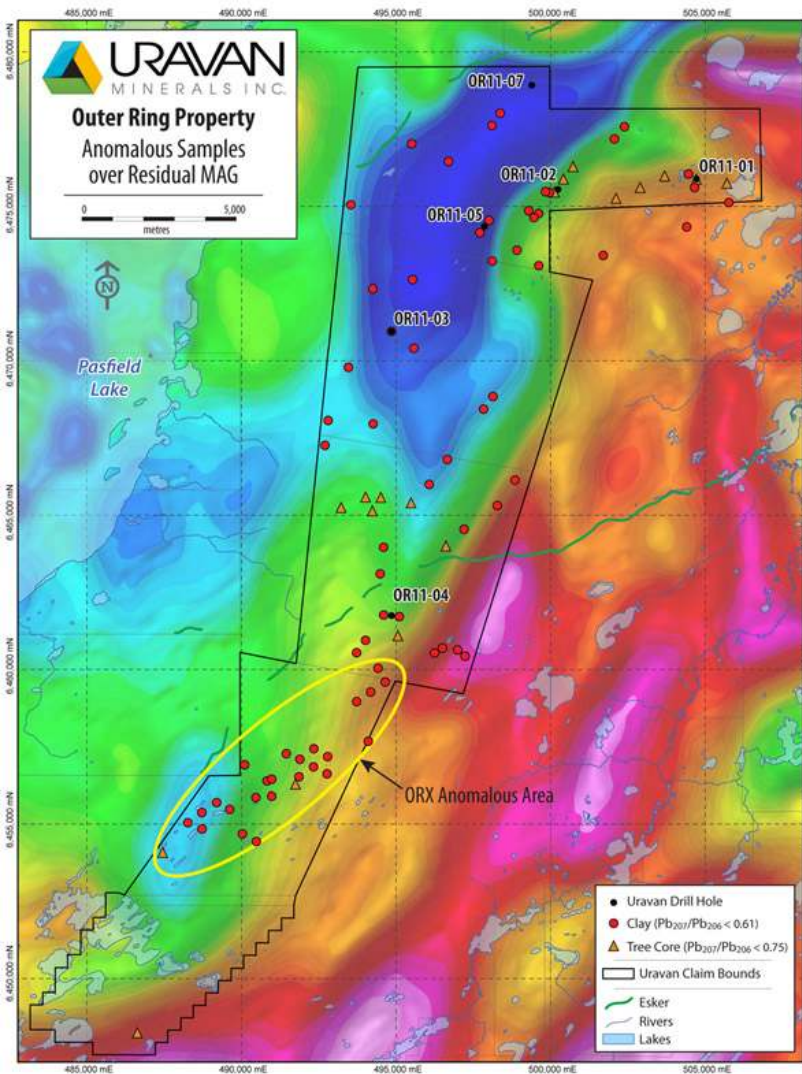


Athabasca Basin: the best place in the world for exploration discoveries while we wait for long term U3O8 prices to return to the \$60/lb plus level needed for most deposits to be economic.



Canalaska: traditional geophysics guided deep target exploration

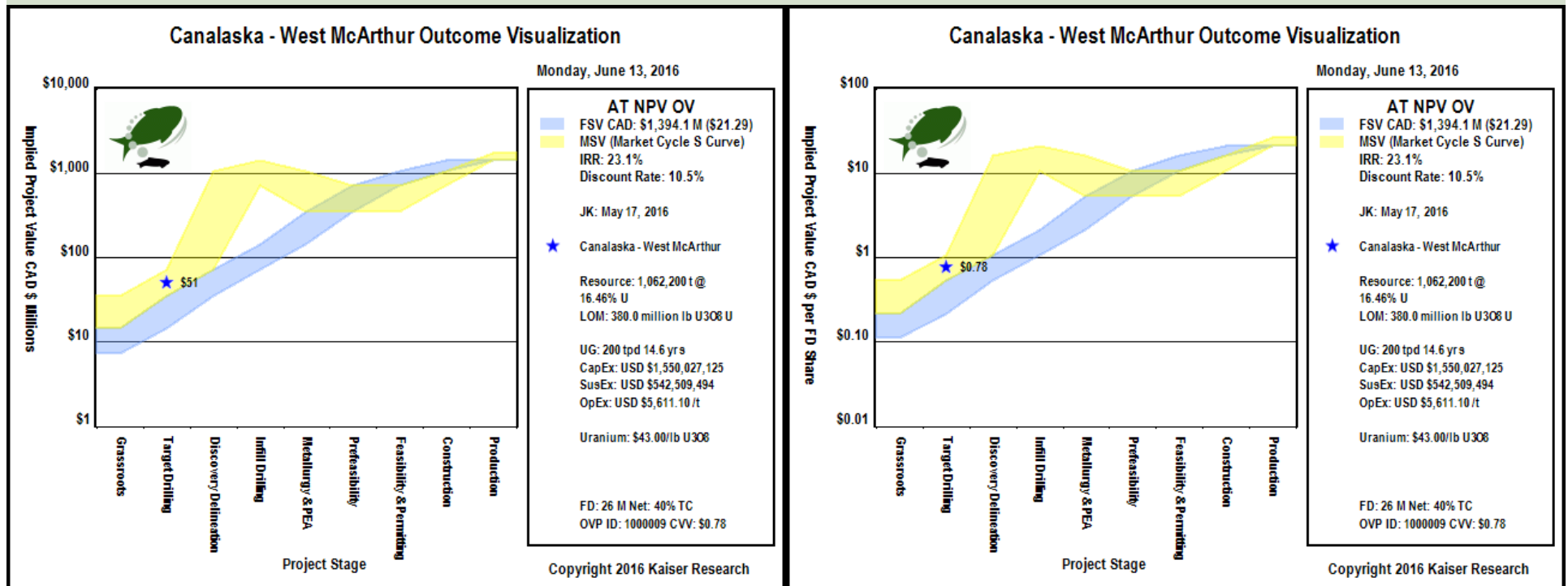




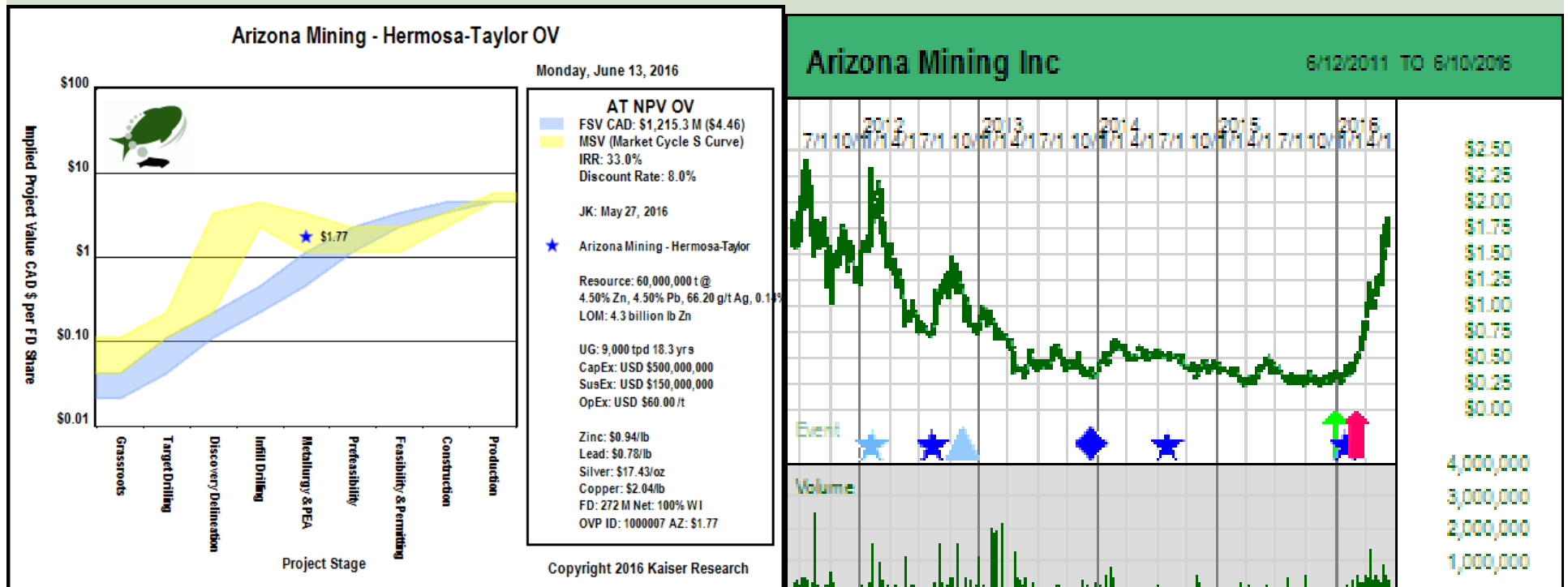
Uravan: innovative geochemistry guided deep target exploration



What would Canalaska be worth if it delivered a McArthur River equivalent discovery? Or ALX? Or Uravan?

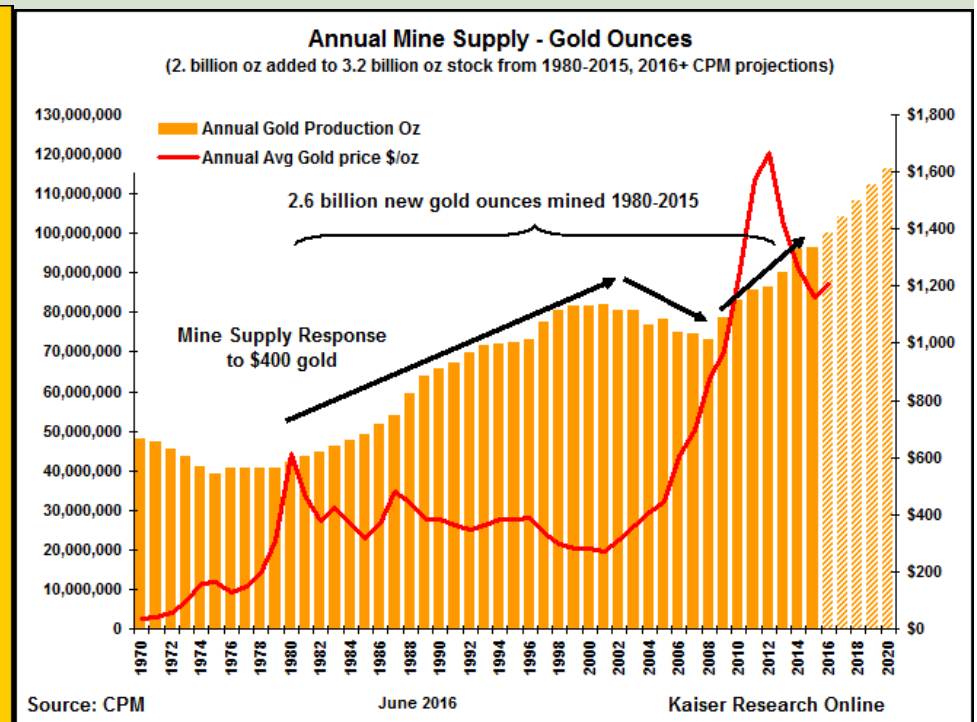
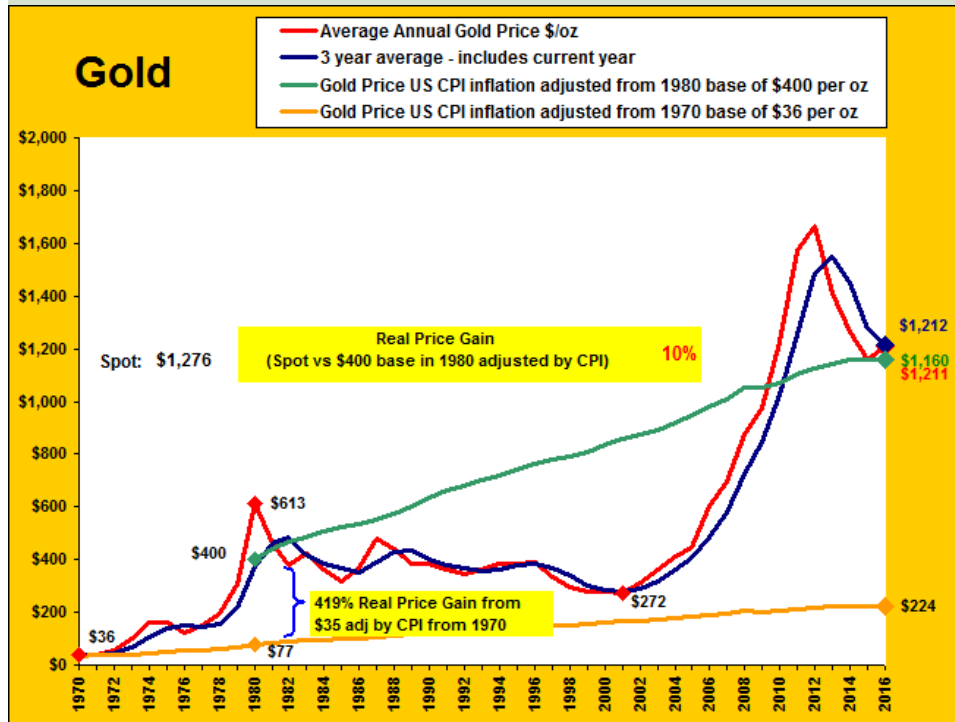


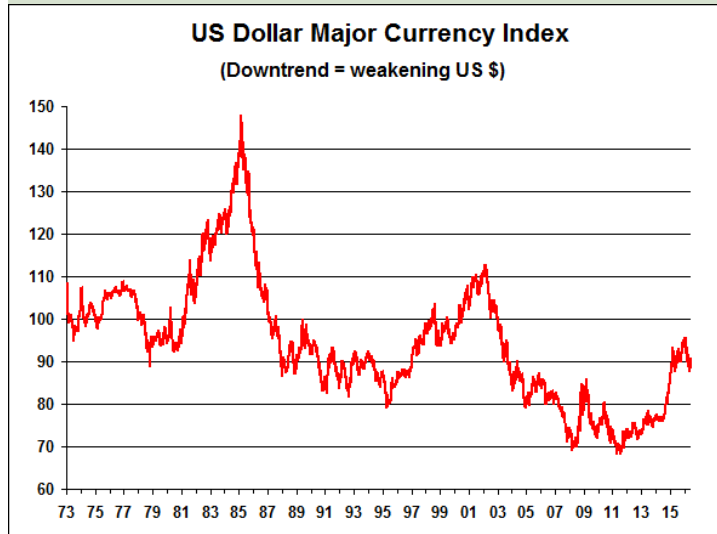
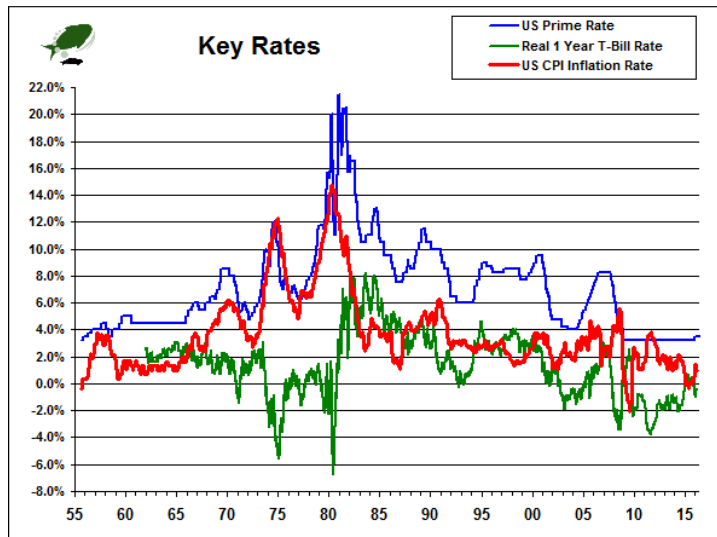
The S-Curve in Action: Over-Priced in terms of Kaiser's OV, but what if Zn+Pb grade goes to 15% and zinc to \$1.20?



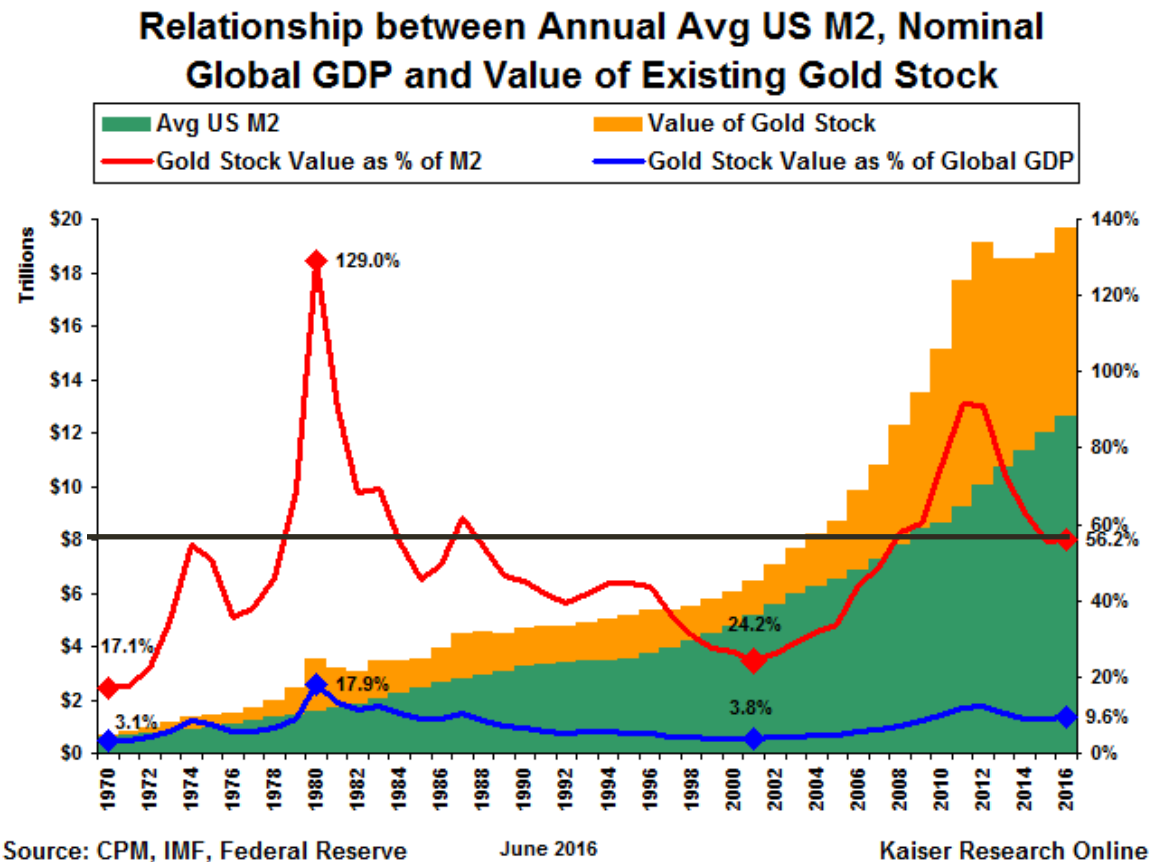
Gold Bug Narrative

- Hijacked by ideological scolds
- Alienating apocalyptic mindset
- Misguided linkage to hyper-inflation & fiat currency debasement
- Current price full circle from 1980
- 2.5 billion oz low hanging fruit harvested
- Vulnerable to interest rate normalization, strong US dollar, and slow global economic growth



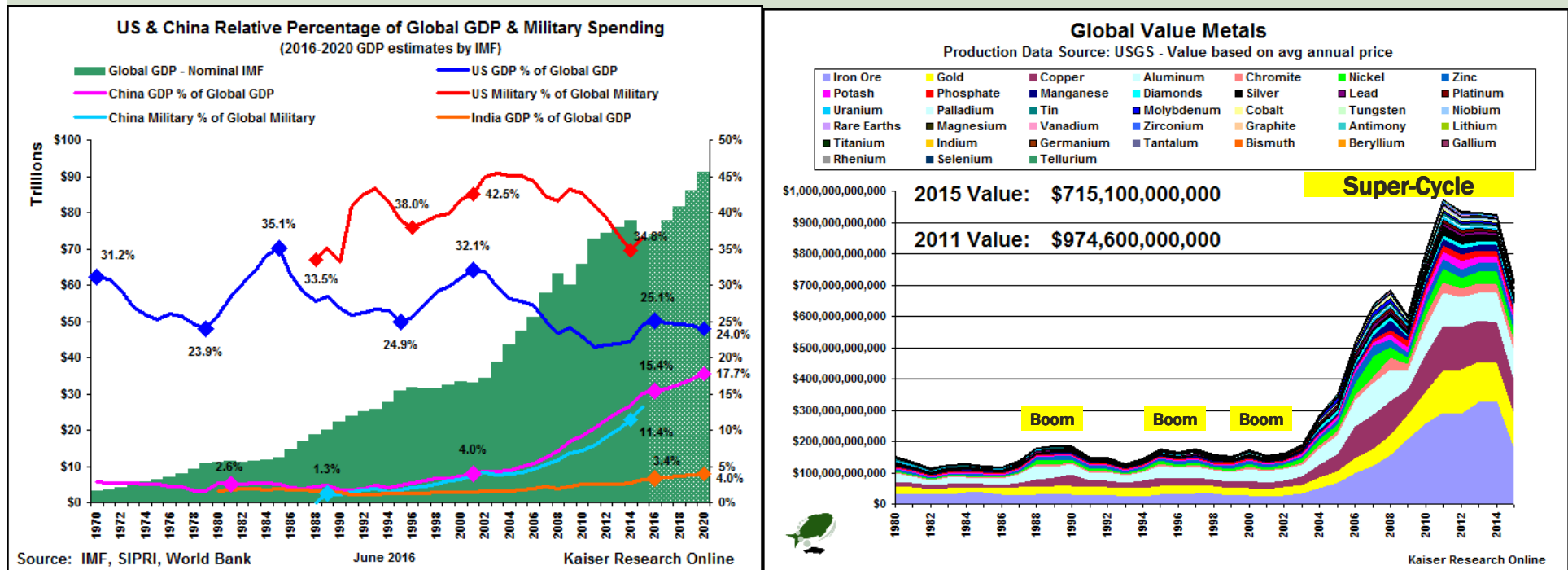


Strong USD, minimal inflation, gold price not cheap in money supply terms

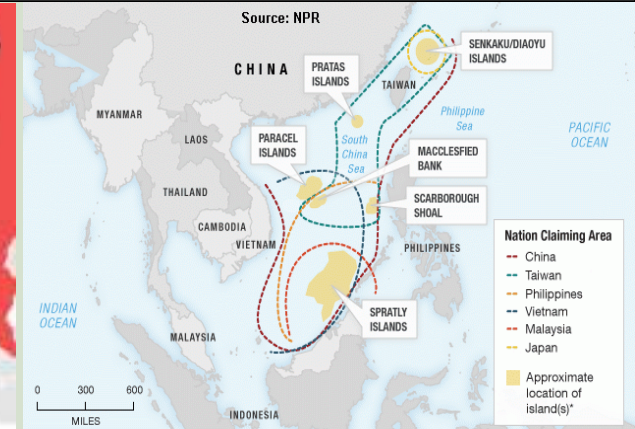
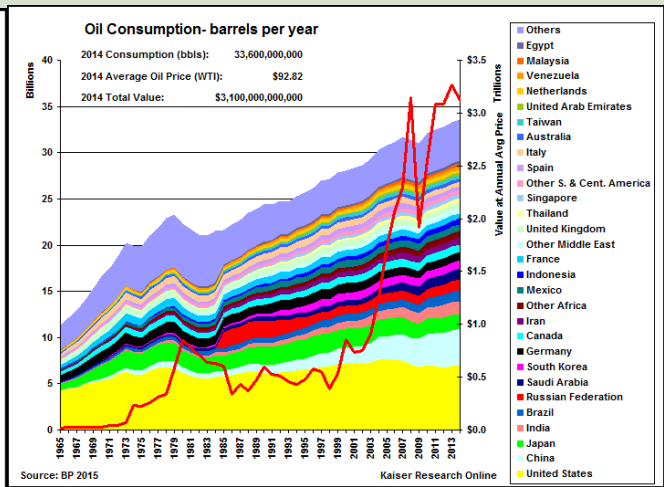
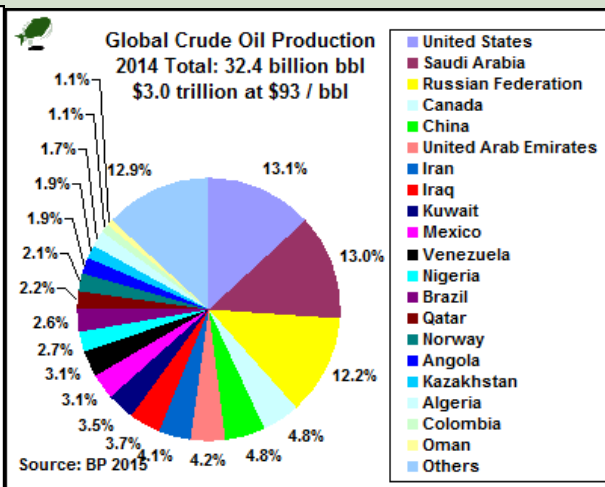
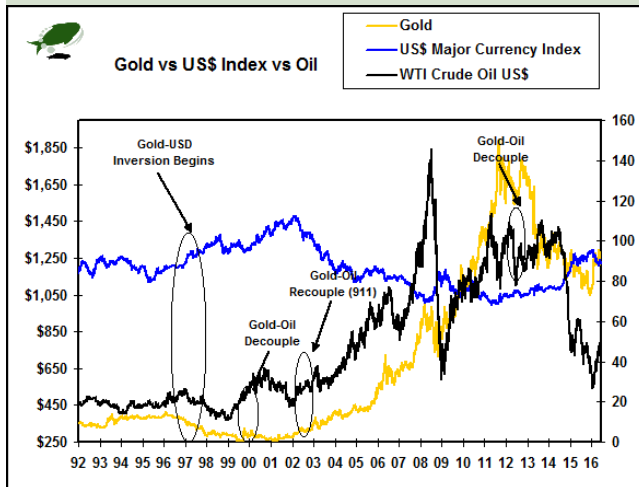


Commodity Cycle Narrative and its Super-Cycle Variation

Juniors normally do not respond to commodity cycle booms but play a very important role when super-cycle booms erupt. Unfortunately they are very irrelevant when the super-cycle winds down. India cannot drive a super cycle.



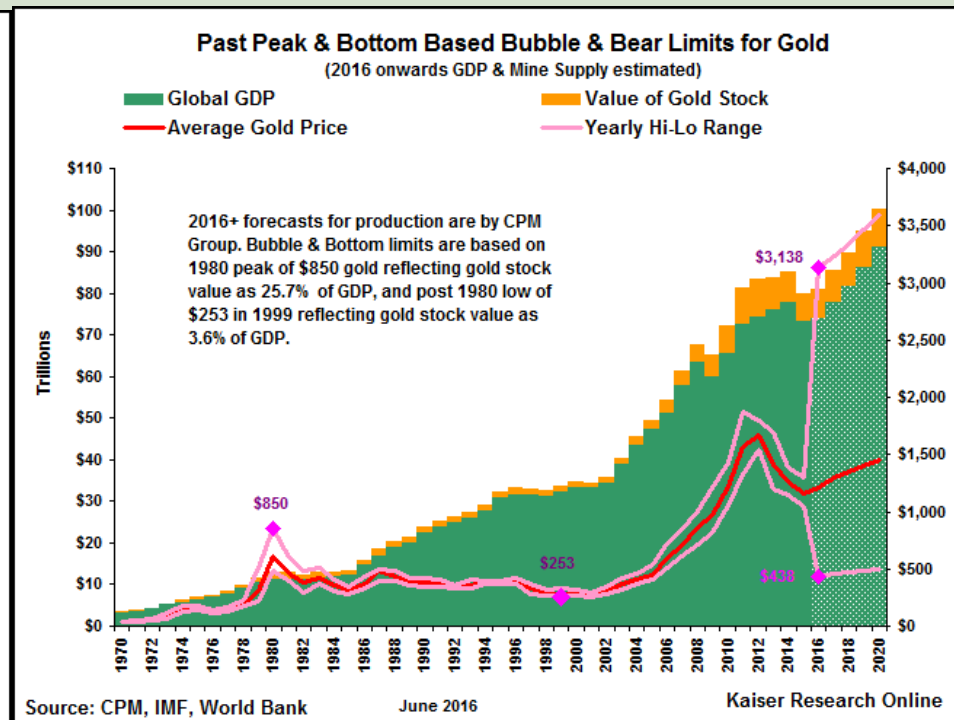
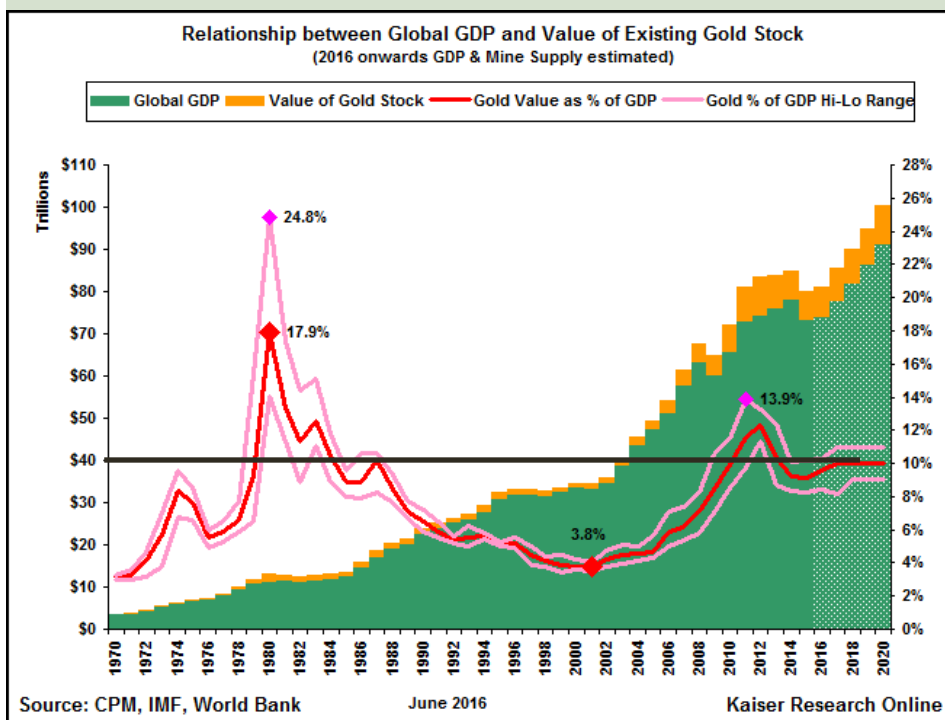
High Risk of Geopolitical Train Wrecks & Unintended Consequences

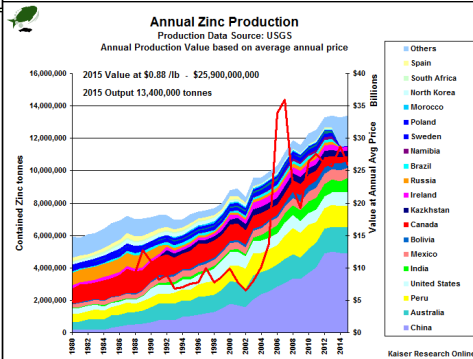
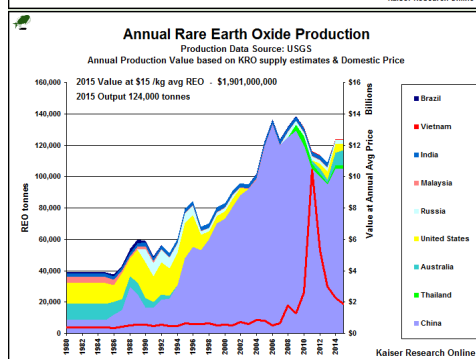
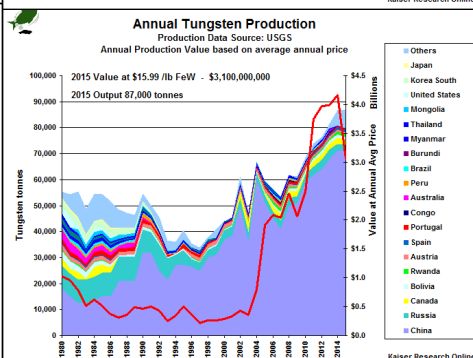
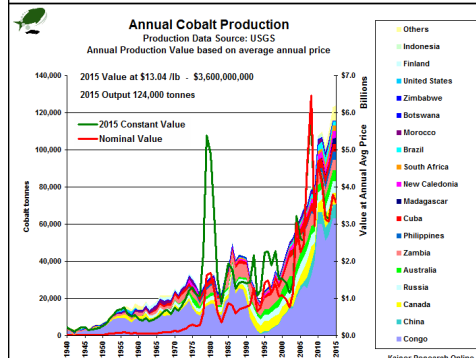
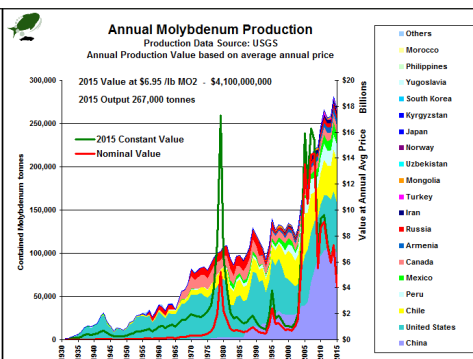
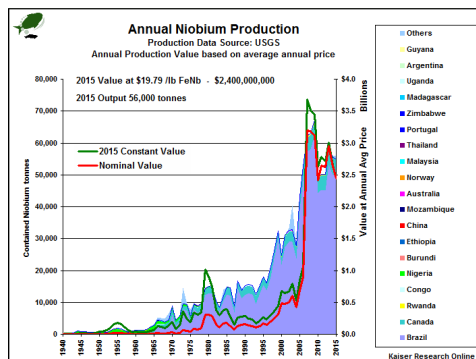


Imagine Donald Trump as President



If we assume the value of the gold stock as a percentage of global GDP represents the degree of uncertainty about the future, the current rate should deliver \$1,500 gold in real price terms over the next 4 years. But if you add the uncertainty created by a Trump presidency, and assume the same level of anxiety as in 1980 when gold peaked at \$850, the equivalent today would be \$3,000 plus and \$3,500 by 2020. Trump is very good for gold.





DAVID S. ABRAHAM

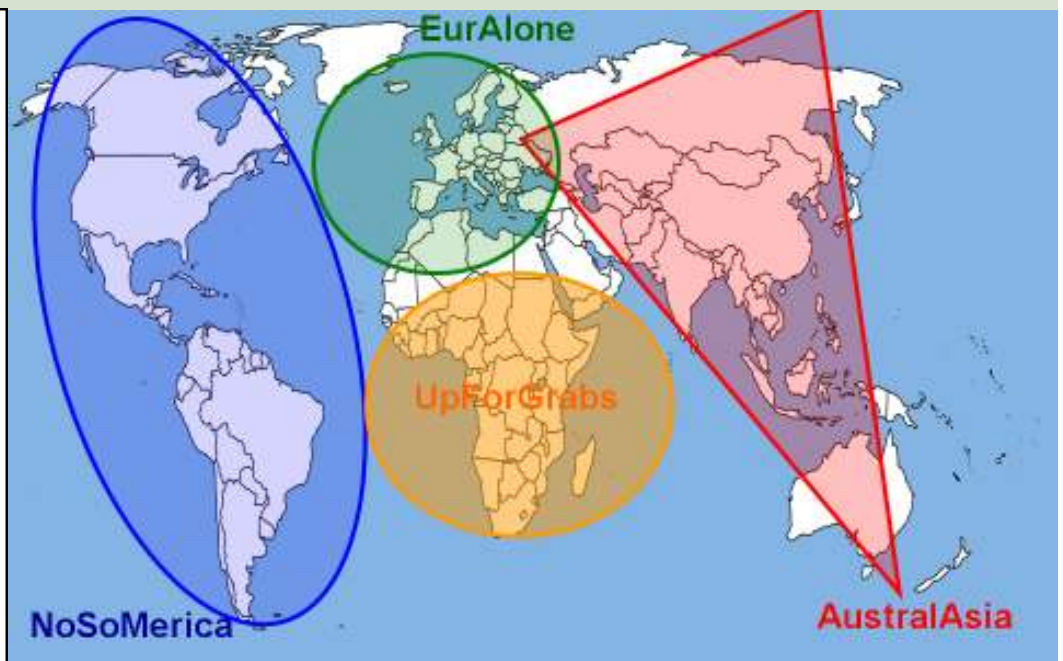
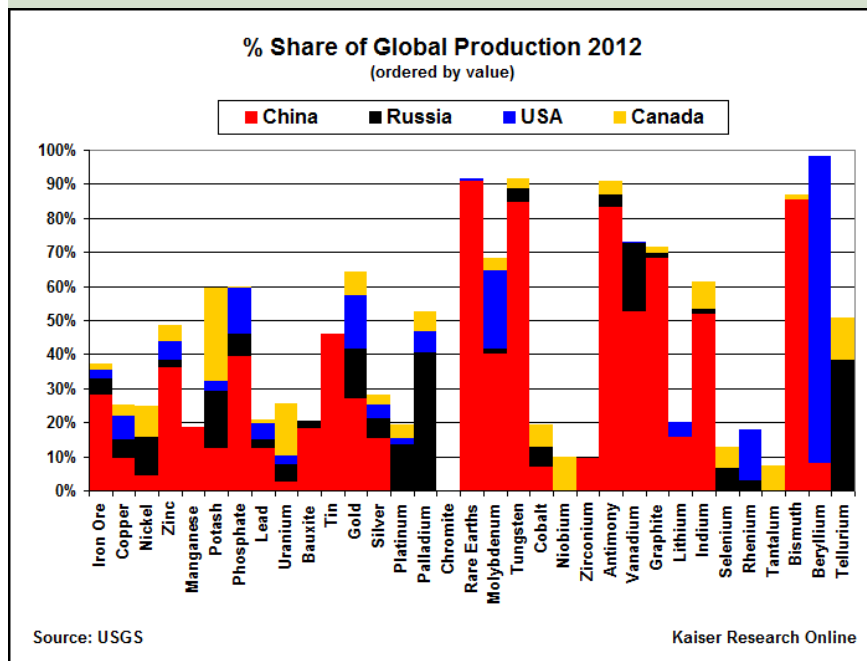
THE ELEMENTS OF POWER

GADGETS,
GUNS, AND
THE STRUGGLE
FOR A
SUSTAINABLE
FUTURE
IN THE
RARE METAL
AGE

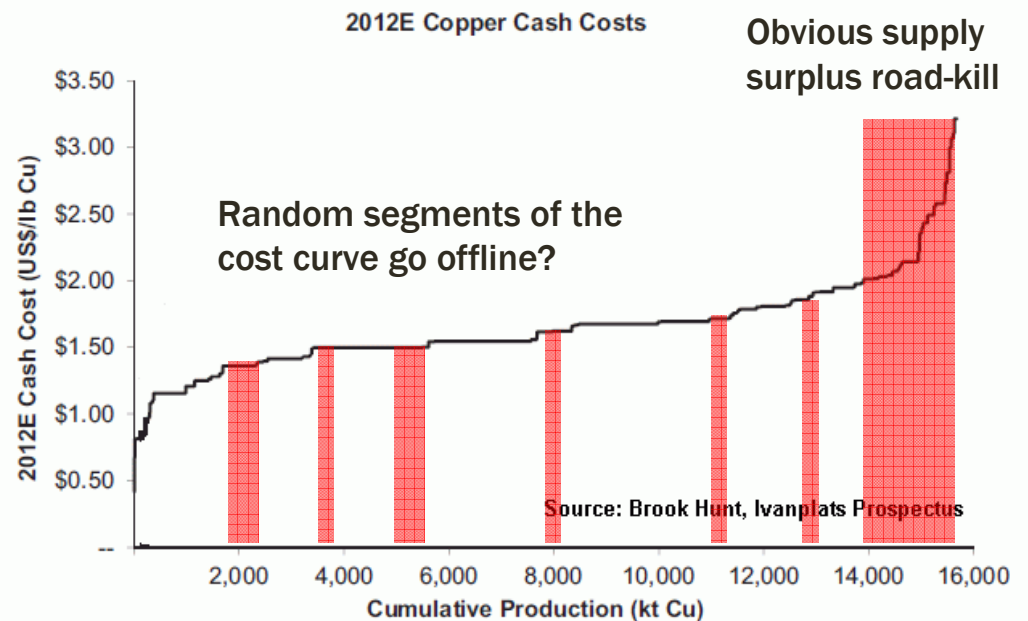
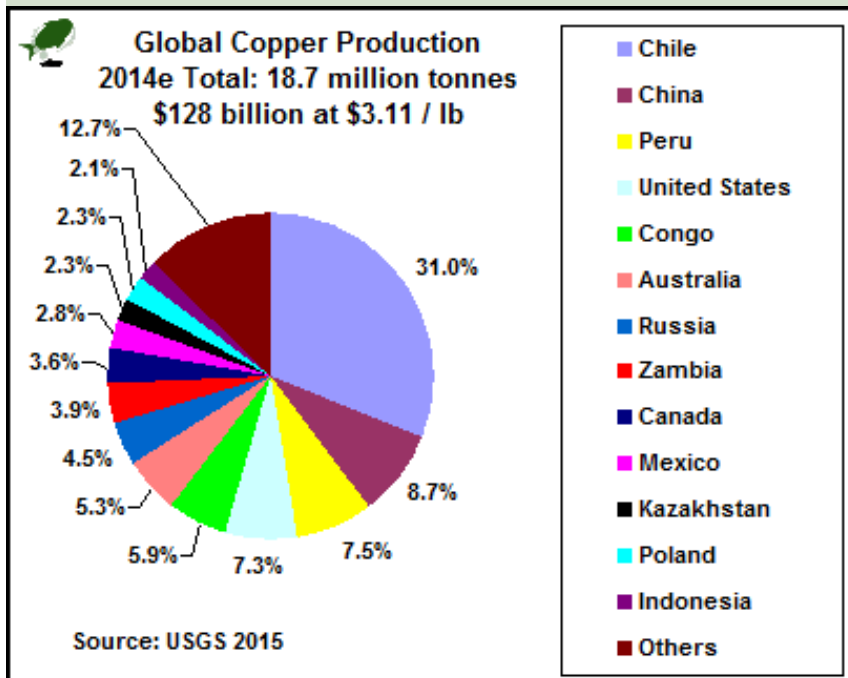
Security of Supply Narratives

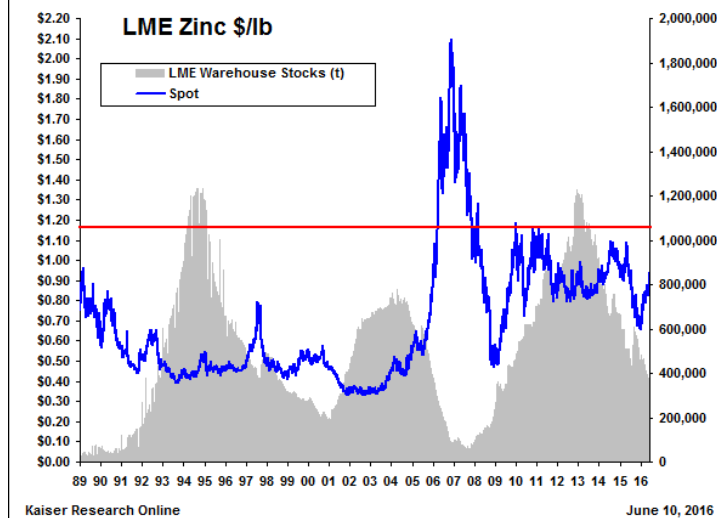
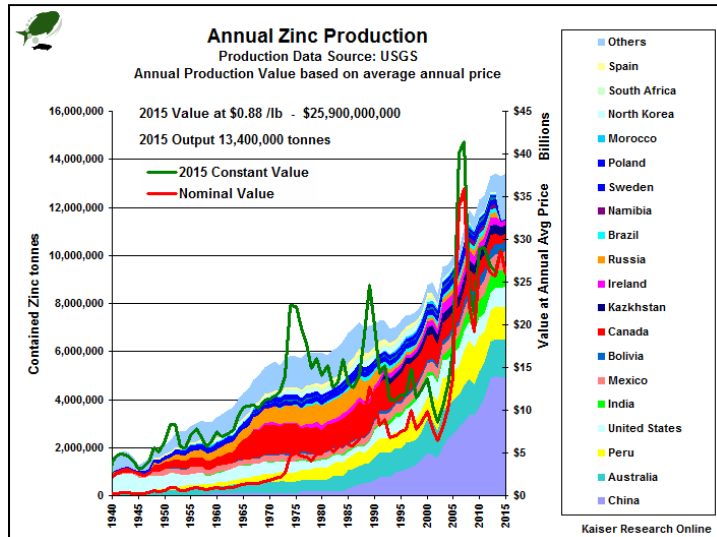
- Geopolitical supply disruptions
- Policy Demand Drivers
- Process Innovation
- Transportation supply disruptions
- Policy Supply Disrupters
- Functionality innovation
- Deposit depletion
- Usage Innovation
- Fashion Trends

This is the new conceptual frontier for institutional capital!



The greatest likelihood for higher medium term non precious metal prices lies with unpredictable supply disruptions such as civil strife, infrastructure failure, resource nationalism, & sanctions. Price uptrends will be metal specific and development decisions will focus on “safe” jurisdictions.





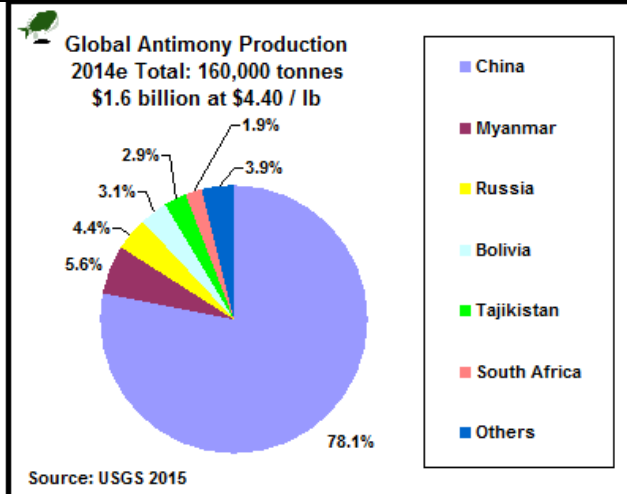
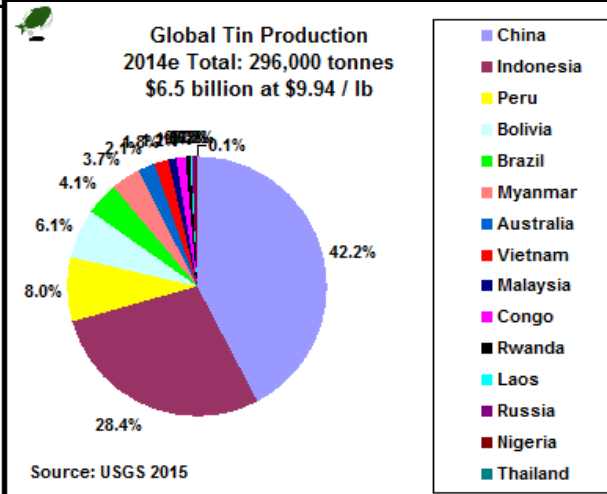
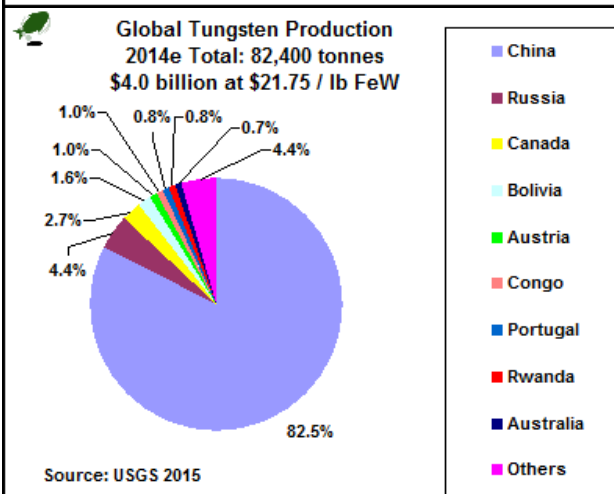
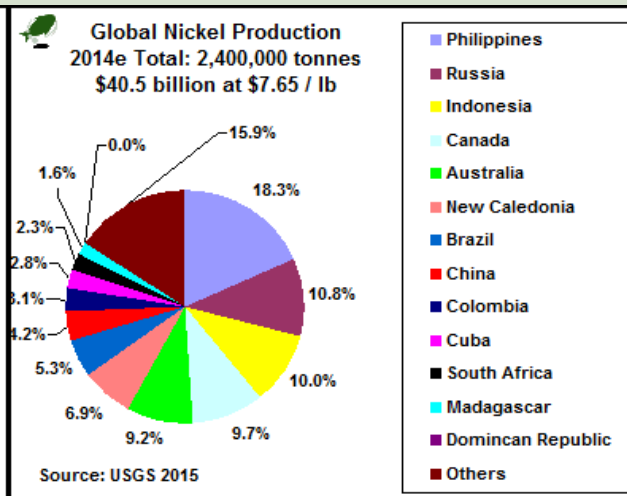
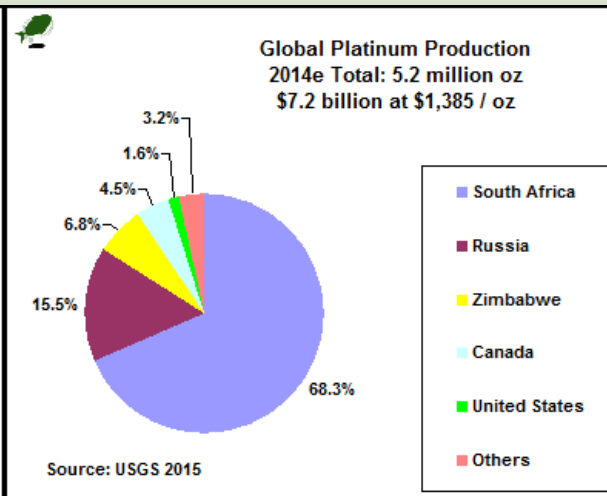
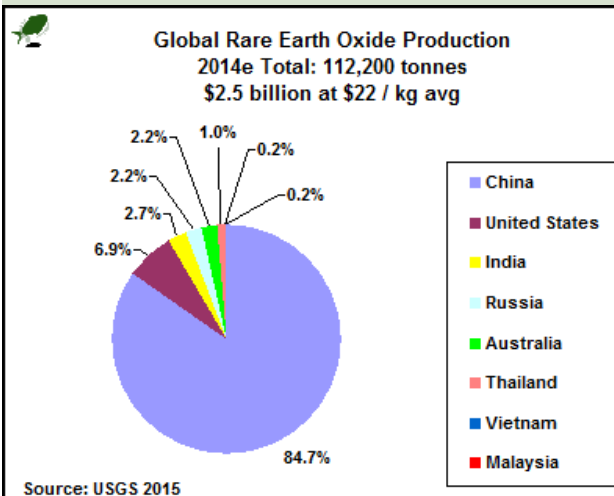
Environmental Policy as Supply Disrupter

China's Environmental Awakening

UNDER THE DOME

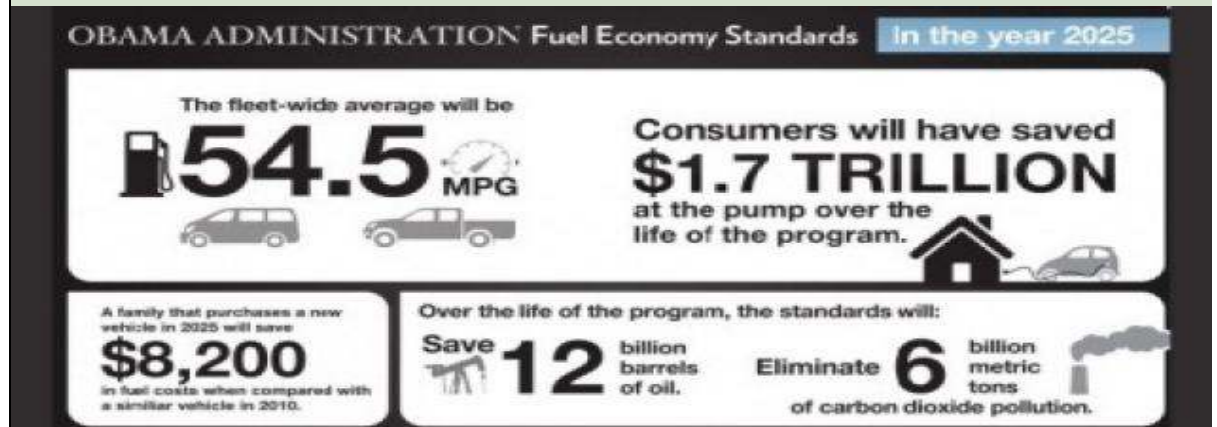
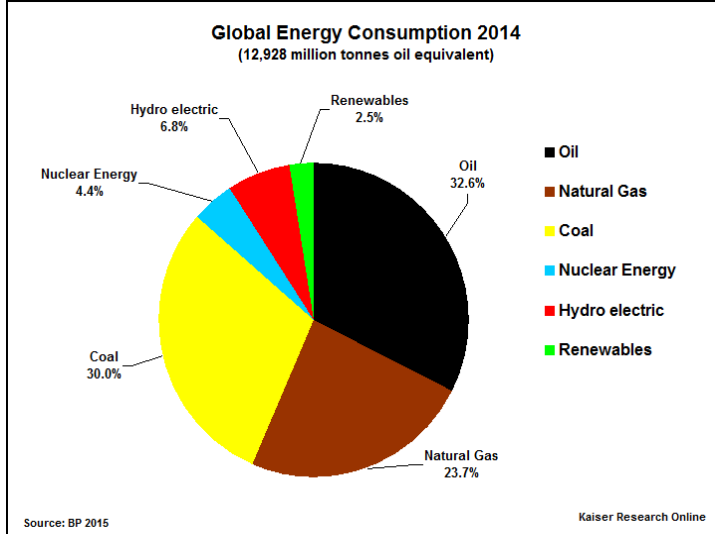
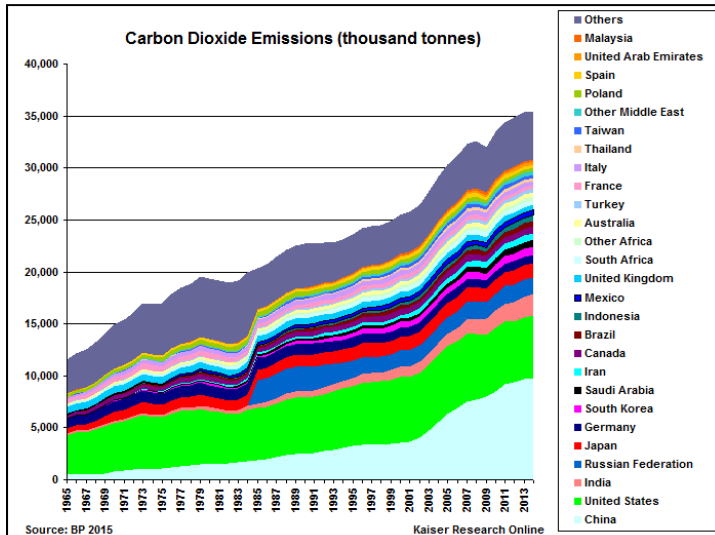
CHAI JING'S DOCUMENTARY ON AIR POLLUTION IN CHINA

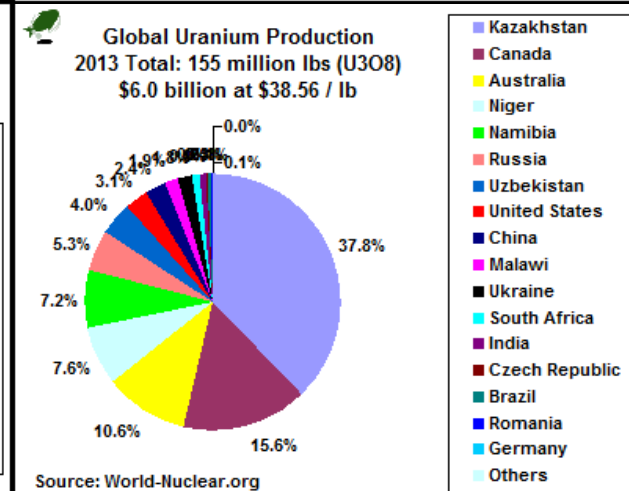
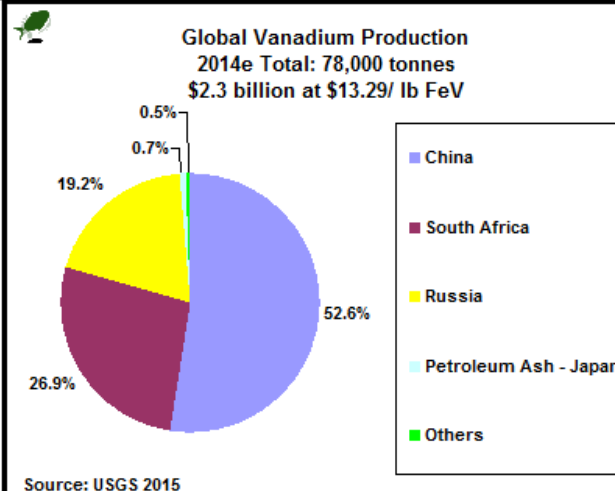
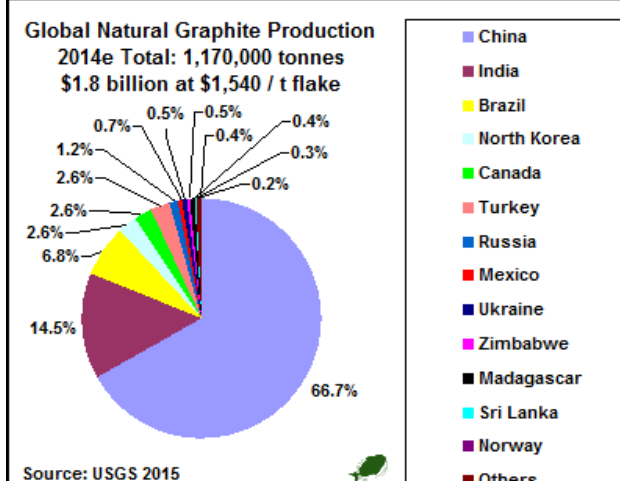
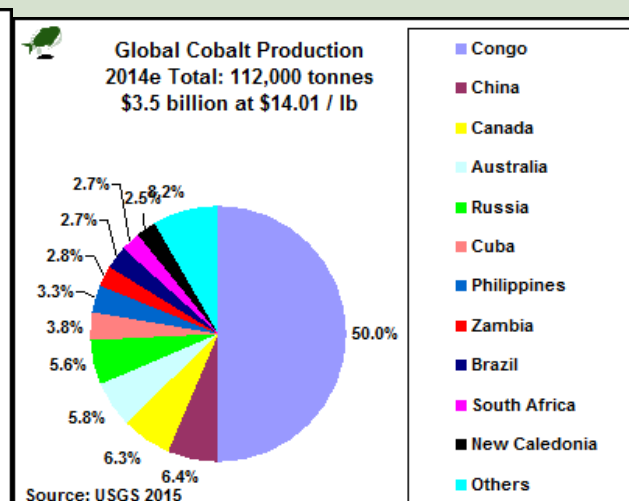
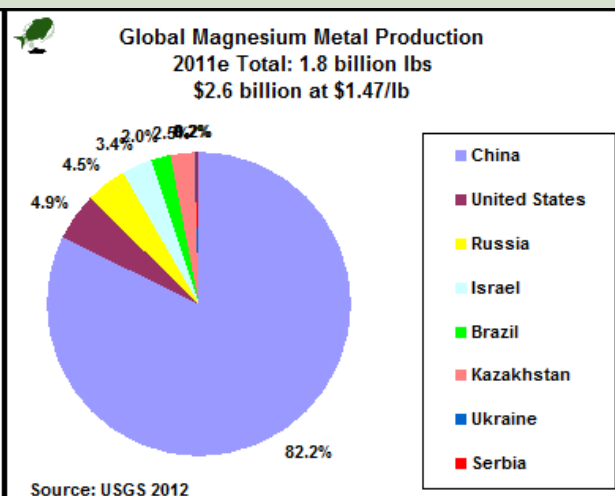
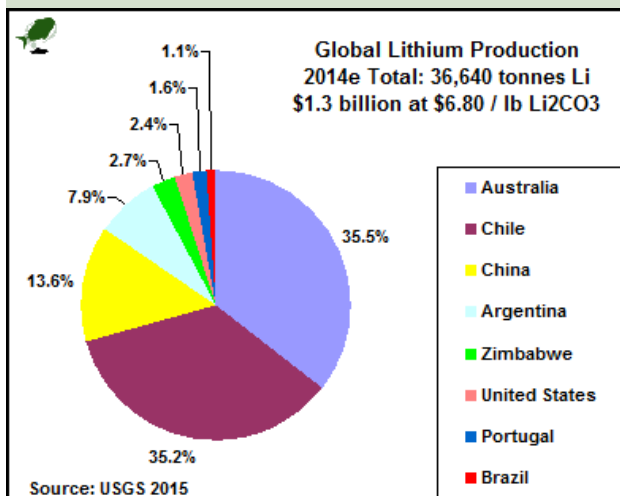




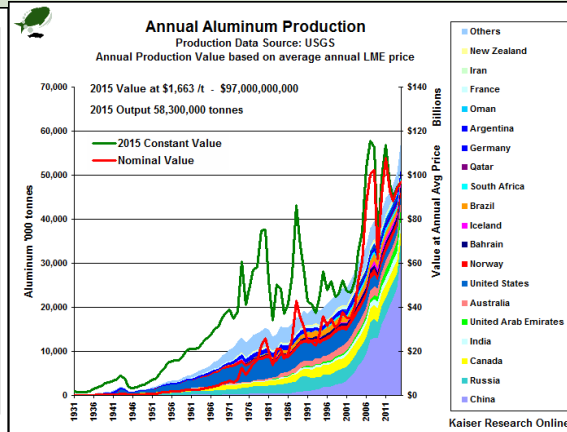
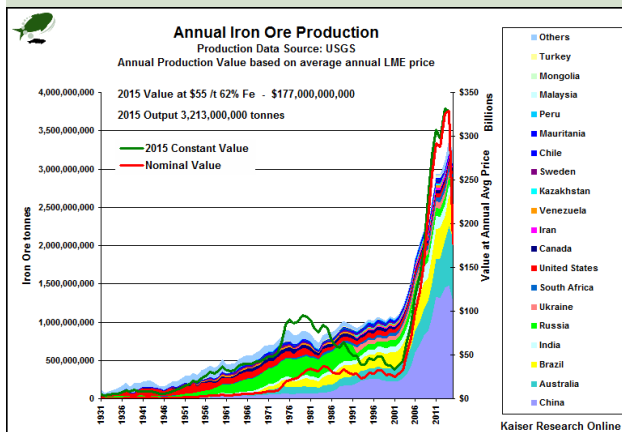
Climate Change Policy

- Rebuilding momentum
- Alternative Energy
- Tesla phenomenon - GigaFactory
- Energy Efficiency
- Materials Science Boom
- Infrastructure Renewal in America
- Huge transformational implications

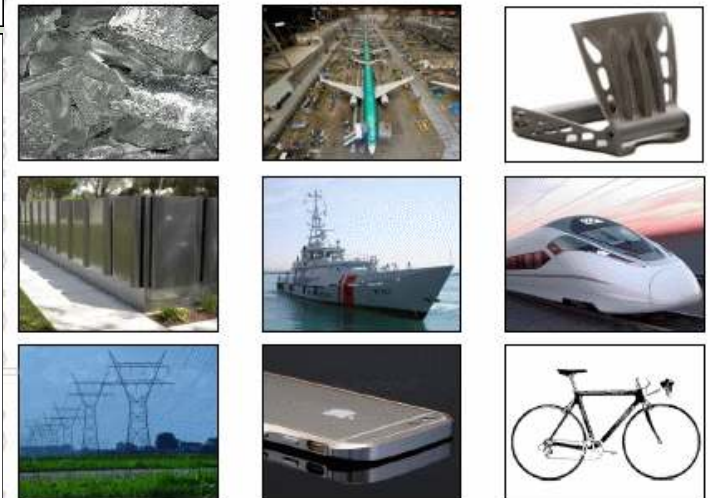
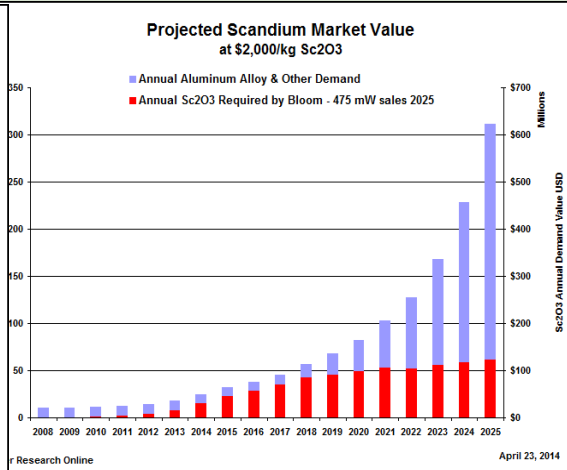
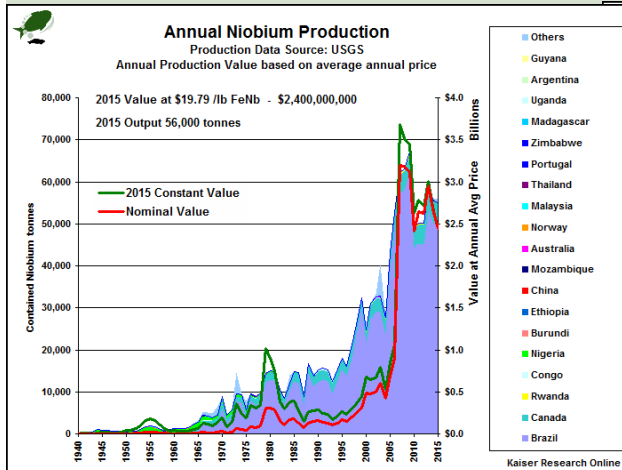




Scandium: annual \$20 million to \$2 billion growth in next decade?



- Perfect aluminum alloy
- Stronger, corrosion resistant, reliable weld joints, 3D printable
- Historically available only as non-scalable by-product from uranium ISL, rare earth mines and titanium dioxide waste streams



The next 200 tonnes of scandium oxide supply

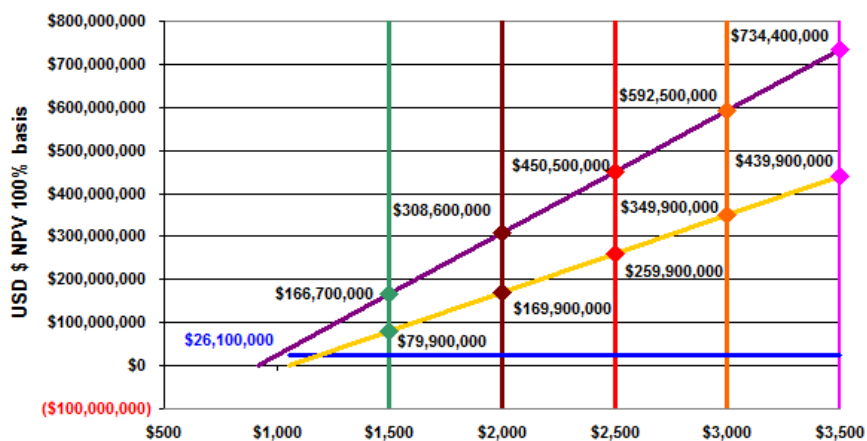


Scandium International Mining Corp (SCY-T)

Scandium Intl - Nyngan - After Tax NPV Sensitivity

Pessimistic - \$1,500/kg Sc2O3 - IRR 22%
 Base Case - \$2,000/kg Sc2O3 - IRR 33%
 Current - \$2,500/kg Sc2O3 - IRR 43%
 Optimistic - \$3,000/kg Sc2O3 - IRR 52%
 Fantasy - \$3,500/kg Sc2O3 - IRR 61%
 Implied 100% Project Value - \$26,100,000
 AT NPV vs \$/kg Sc2O3 at 10% Disc Rate
 AT NPV vs \$/kg Sc2O3 at 5% Disc Rate

DFS Apr 2016: 240 tpd OP HPAL, 6.4% NSR, 20 yr SL Depr
 LOM: 1.4 MT @ 409 g/t Sc 43-101, 83.7% recovery
 CapEx US \$87.1 M, SustEx \$26 M, OpEx \$292/t, 0.70:1 USD:AUD
 FD: 243 M, tax rate 30%, 0.78:1 USD/CAD, 80% Net
 LOM Output: 754 t Sc2O3 @ 99%, 20 yr mine life, 36-42 tpa
 Location: New South Wales, Australia



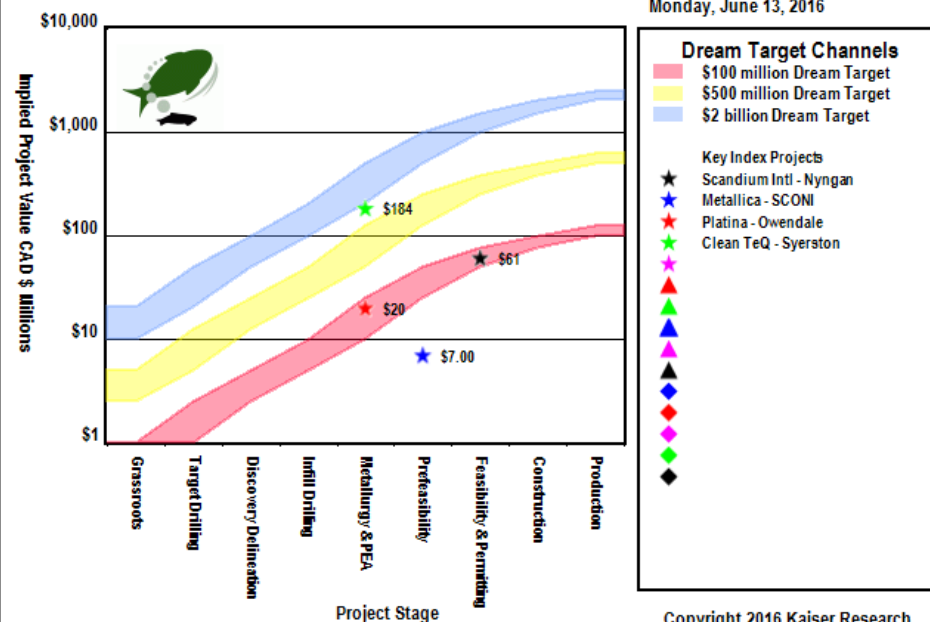
April 18, 2016

Sc2O3 99% USD \$/kg

Kaiser Research Online

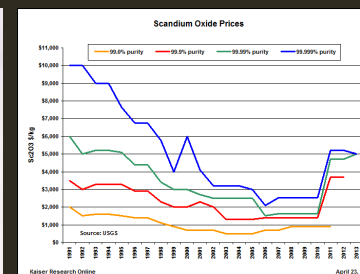
Scandium Project Valuations

Monday, June 13, 2016

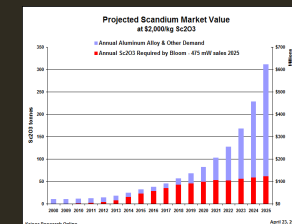
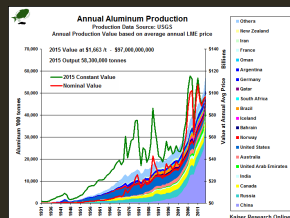
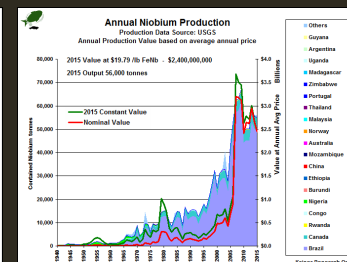
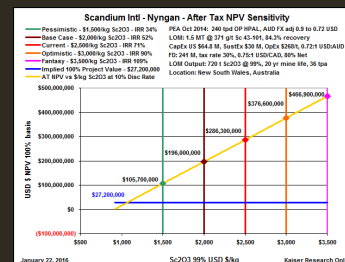


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The Scandium Story: a winner even in a worst case scenario



Project Resource Estimate - Nyngan							
Mar 30, 2010	NI 43-101	Sanja van Huet of Jervois Mining Ltd & Max Rangott of Rangott Mineral Exploration Pty Ltd, Orange, N					Cutoff: 100 g/t Sc
Note: Grades are in g/t Sc, but pricing is for 99.9% scandium oxide (Sc2O3) which is estimated by USGS to average at \$3,700/kg, though a more realistic price is \$2,000/kg. The converter from element to oxide grade is 1.53.							
Resource Category	Tonnage	Total Rock Value	Metal	Grade	Recovery	Contained Metal	% of GMV
Measured Resource	2,718,000	\$841/t	Scandium	274.00 g/t	100.0%	1,142,402 kg	100%
Indicated Resources	9,294,000	\$792/t	Scandium	258.00 g/t	100.0%	3,678,251 kg	100%
All Categories Spot	12,012,000	\$803/t	Scandium	261.62 g/t		4,820,653 kg	100%
Spot Gross Metal Value		Market Cap as % of Net GMV			Spot Prices Used		
\$9,641,306.949		0.3%			Scandium \$2,000.00/kg		



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ABR: Zombie Search and Rescue Mission for Junior Mining Stocks - Episode #1

