

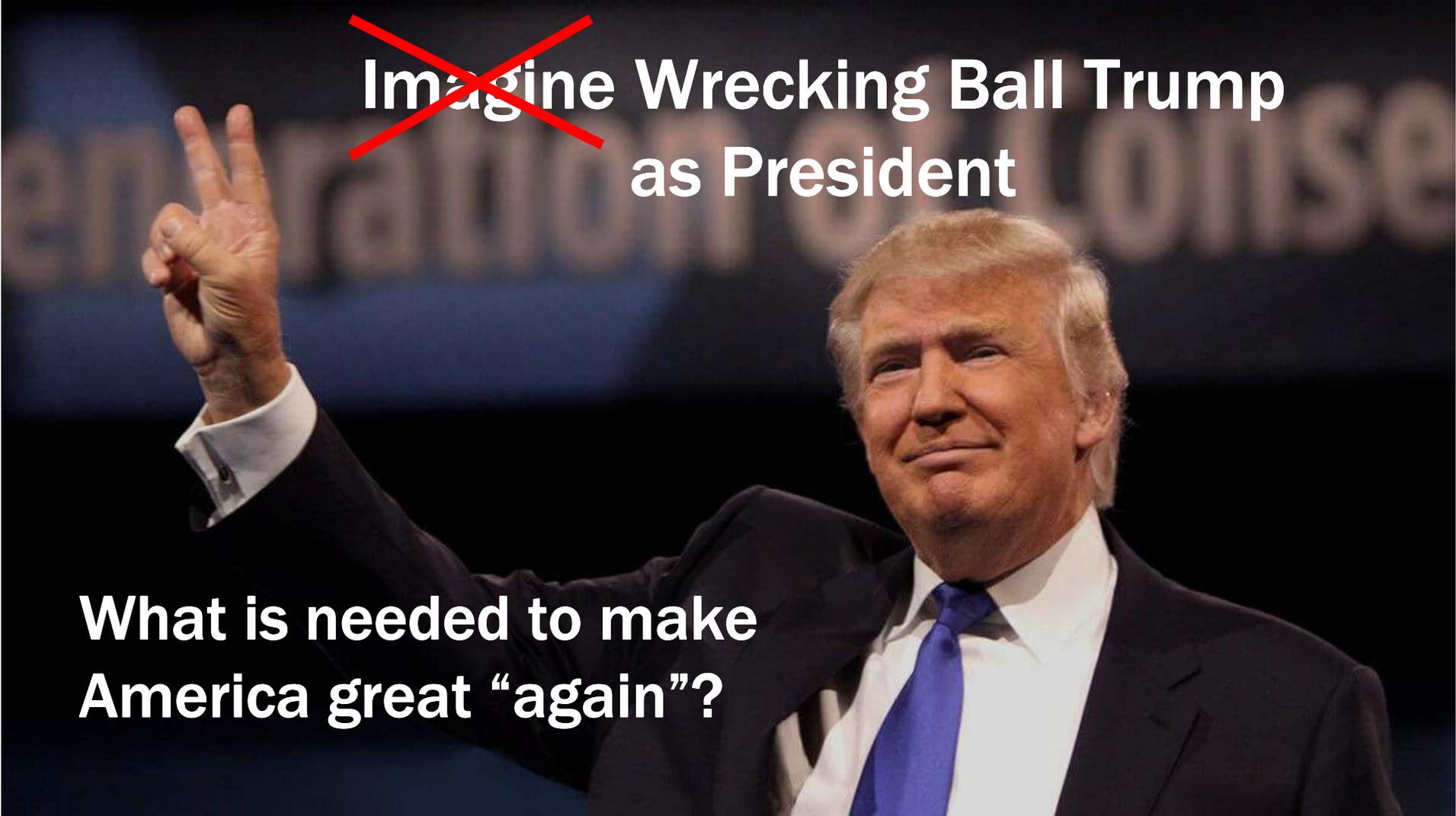
The Resource Sector in the New Age of Surrealism

Presented by John Kaiser

49 North Conference 2016

November 17, 2016

San Francisco, USA

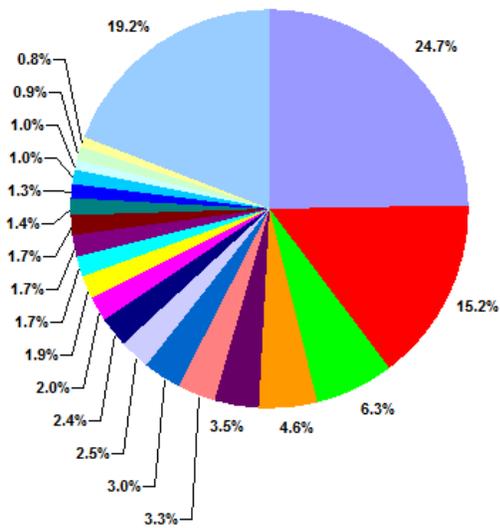
A photograph of Donald Trump in a dark suit and blue tie, making a three-fingered victory sign with his right hand. The background is dark with some blurred text. Overlaid on the image is a red 'X' and white text.

~~Imagine Wrecking Ball Trump
as President~~

**What is needed to make
America great “again”?**

When did America stop being the Greatest, let alone Great?

Global GDP Estimate for 2016
\$75,182,835,000,000

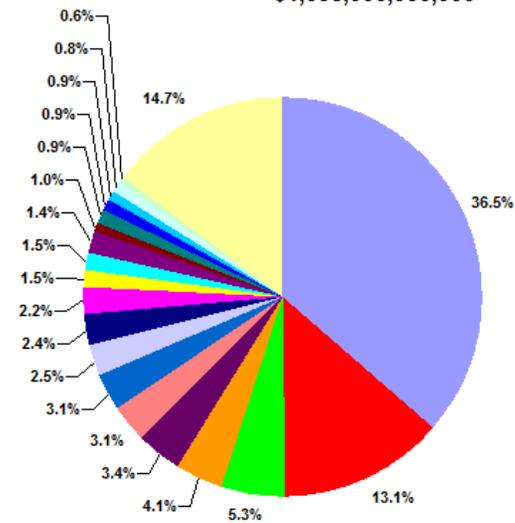


- United States
- China
- Japan
- Germany
- United Kingdom
- France
- India
- Italy
- Brazil
- Canada
- Korea
- Russia
- Australia
- Spain
- Mexico
- Indonesia
- Netherlands
- Turkey
- Switzerland
- Saudi Arabia
- Rest of World

Source: IMF WEO October 2016

Kaiser Research Online

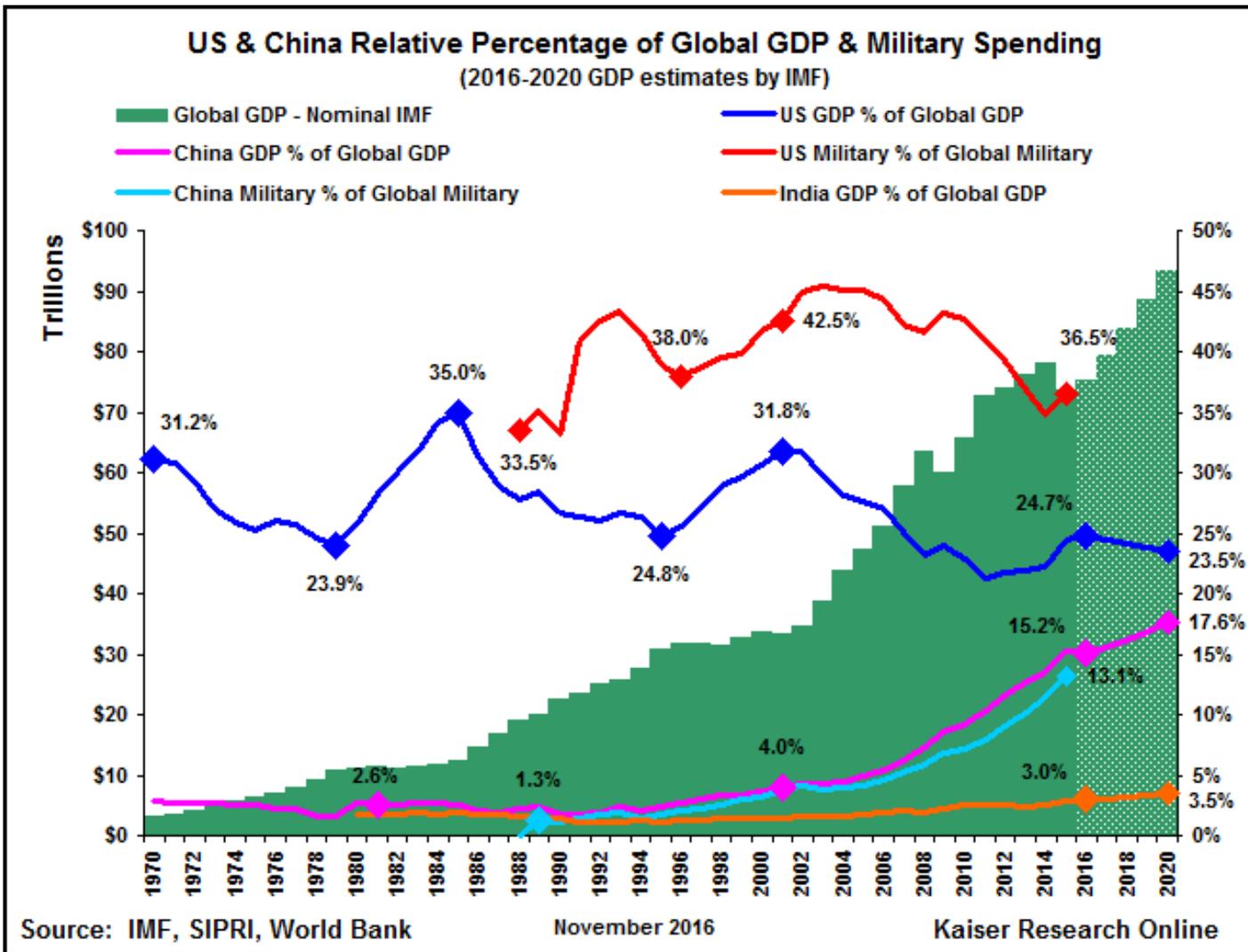
Global Military Spending for 2015
\$1,635,000,000,000



- United States
- China
- Saudi Arabia
- Russia
- UK
- India
- France
- Japan
- Germany
- South Korea
- Brazil
- Italy
- Australia
- Israel
- Turkey
- Canada
- Spain
- Iraq
- Poland
- Rest of World

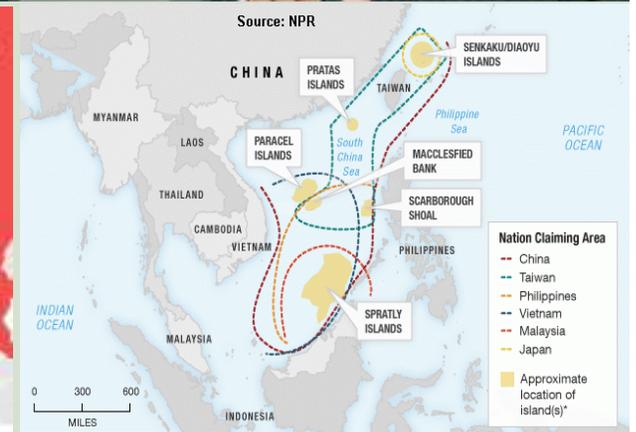
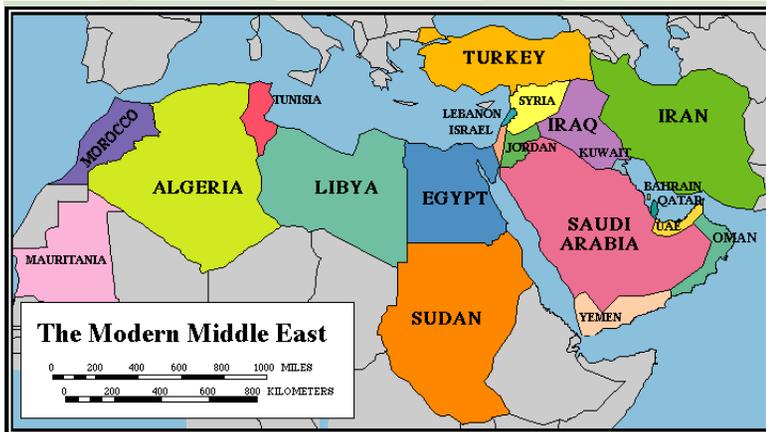
Source: CPM, IMF, SIPRI, World Bank

Kaiser Research Online

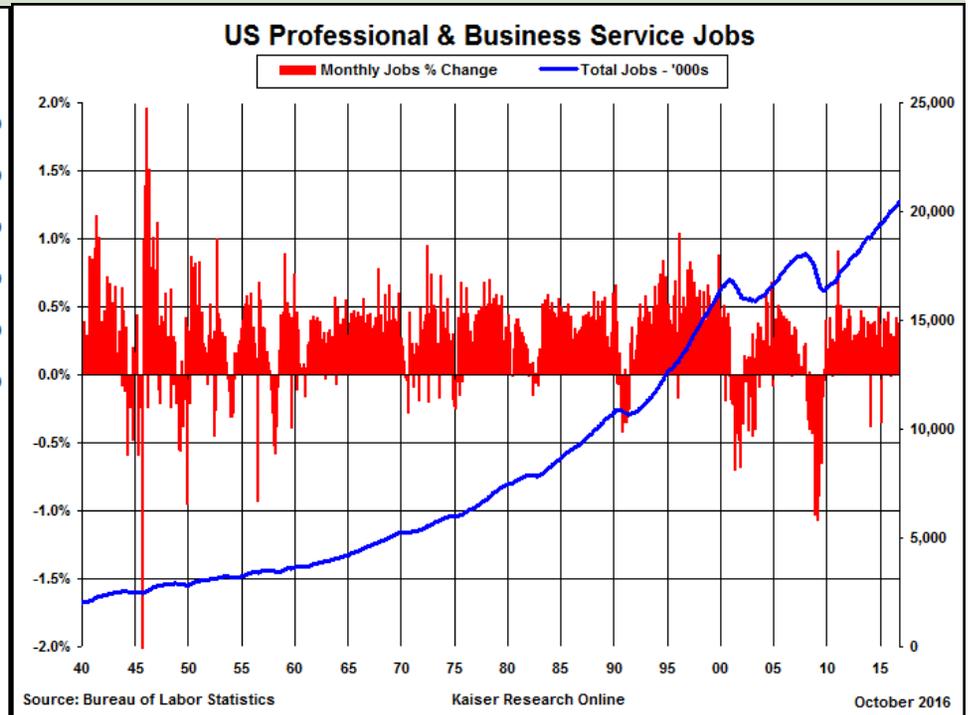
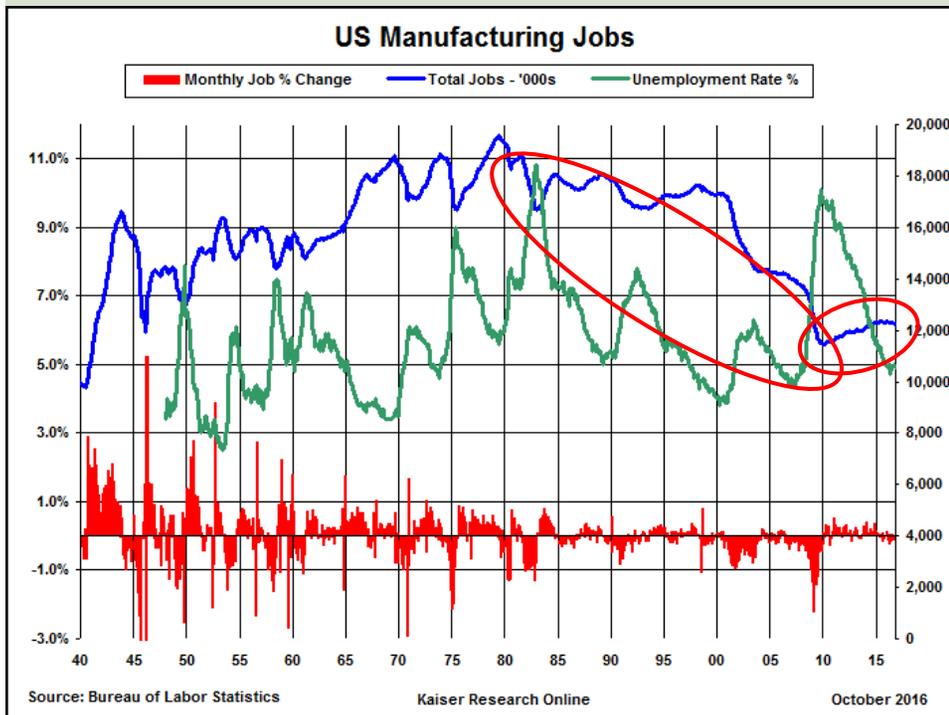


The “Problem” is the looming long term decline in relative greatness which has spawned an end-times mentality.

Major Flashpoints As Russia & China push the envelope



The attack on globalized trade is a red herring. The real problem is the Rise of the Machine Age. The great exodus of manufacturing jobs overseas is over. Automation is bringing production home but not the jobs. And it is now moving beyond the world of blue collar physical workers to devour the jobs that never left, namely those of the white collar knowledge workers.



The most important two questions troubling Americans are:

- **What will the worker of the future do that enables him/her to consume the goods and services produced by an increasingly automated system funded by capital whose ownership is concentrated in the hands of less than 0.1% of the population and a giant pension fund system?**
- **How will the benefits of workerless automated production be transferred to the biggest ever emerging retiree generation with the greatest longevity expectations in the history of mankind?**

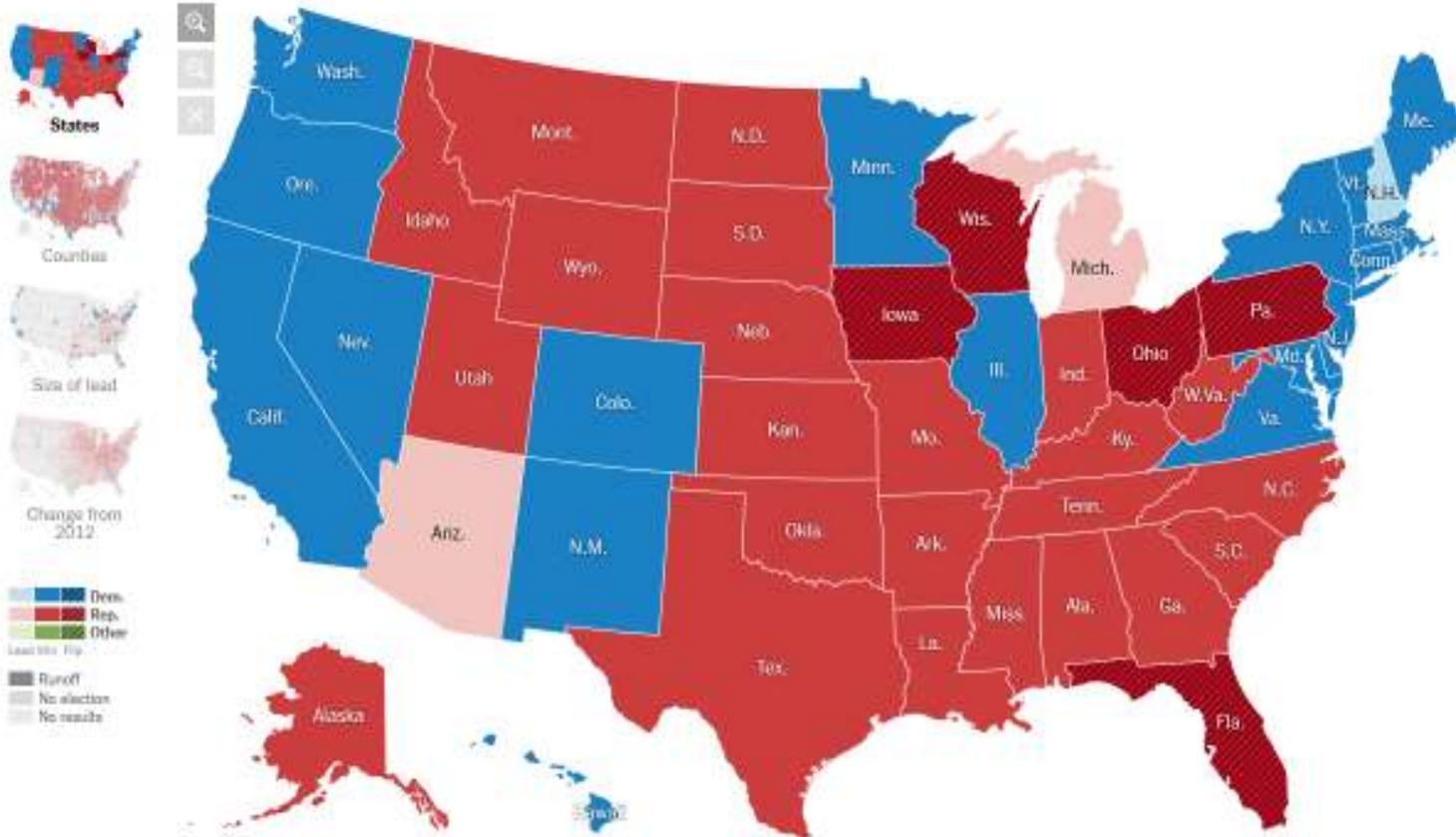
228 Hillary Clinton

59,903,027 votes (47.7%)

✓ Donald J. Trump **279**

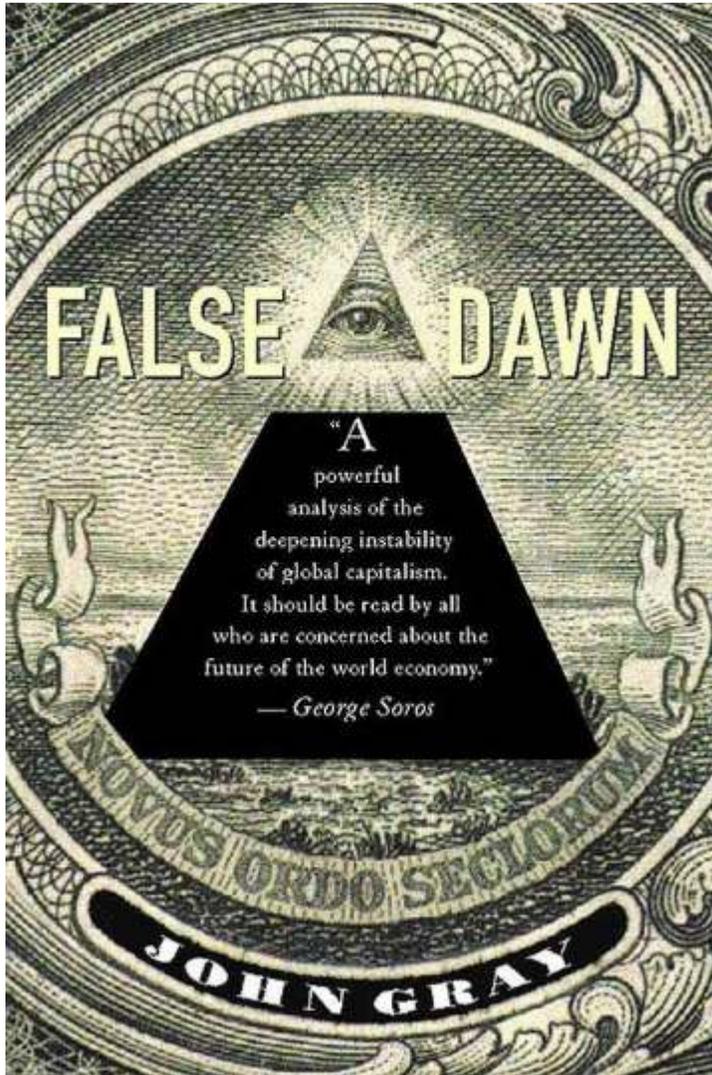
270 to win

55,692,974 votes (47.5%)

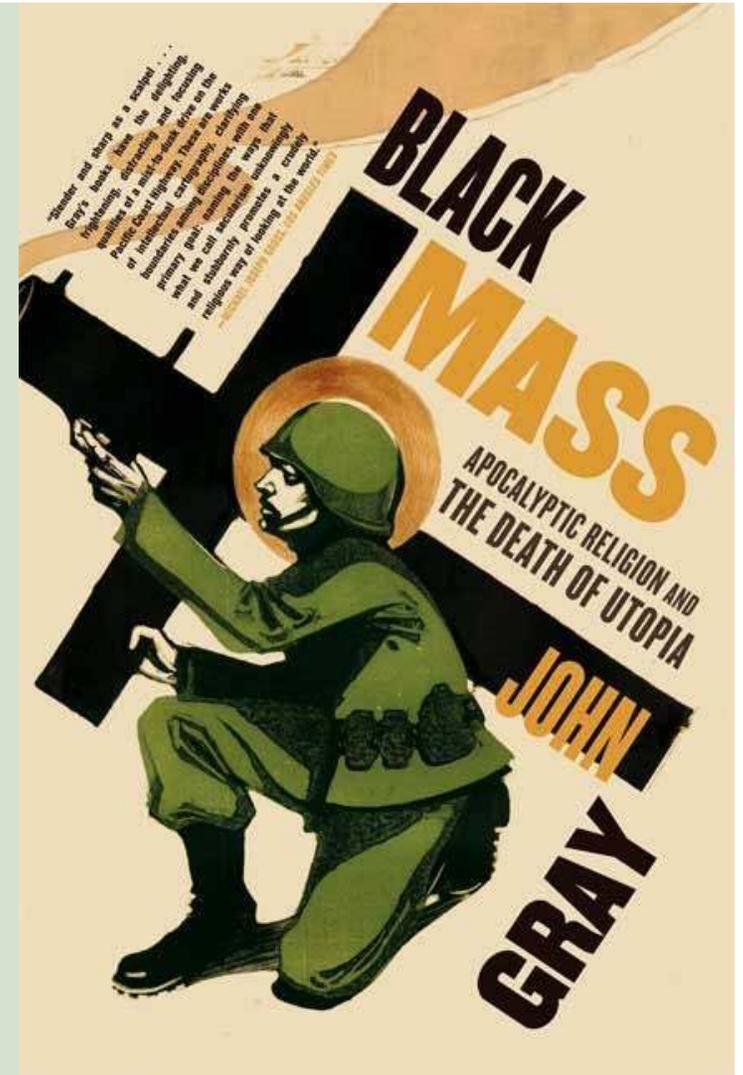


New York Times

**The
Republicans
did not
receive a
mandate for
all the bad
and stupid
things
Trump
promised.**

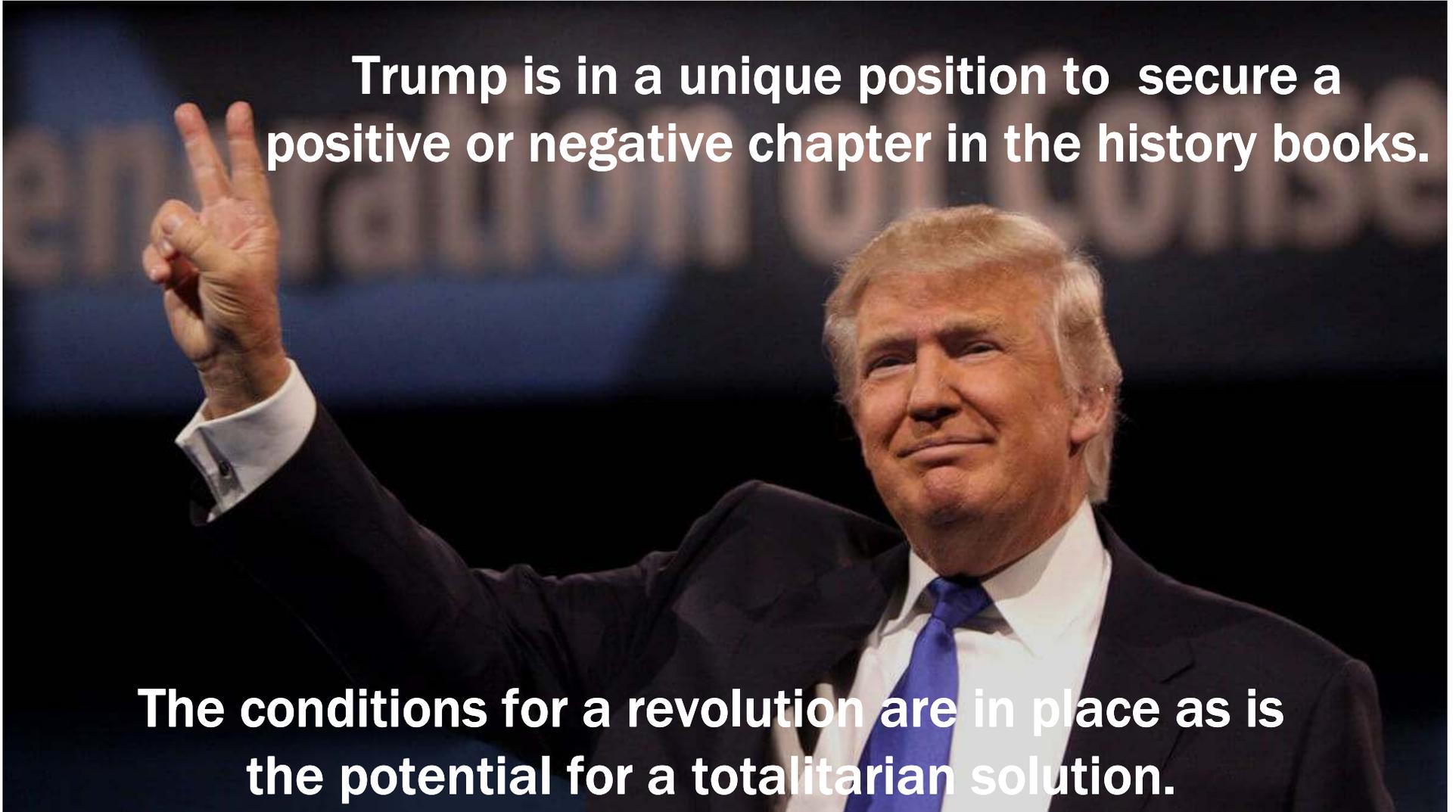


In 1998 UK philosopher John Gray wrote a book called **False Dawn** describing globalization as a construct imposed by an economic elite that was doomed to imminent failure. He was wrong because he did not recognize the imminent China breakout. But he was just early in predicting the populist revolt against globalized trade. The China bubble is over. His later book **Black Mass** may also be prophetic.



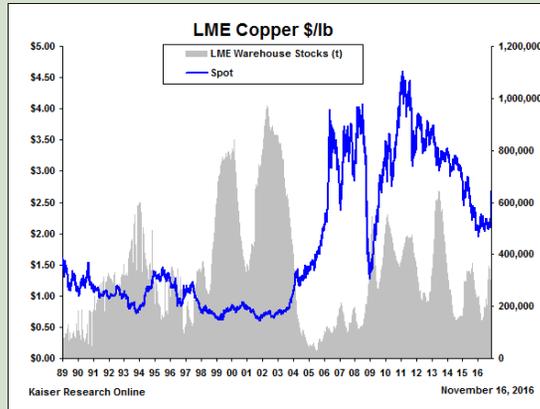
Trump is in a unique position to secure a positive or negative chapter in the history books.

The conditions for a revolution are in place as is the potential for a totalitarian solution.

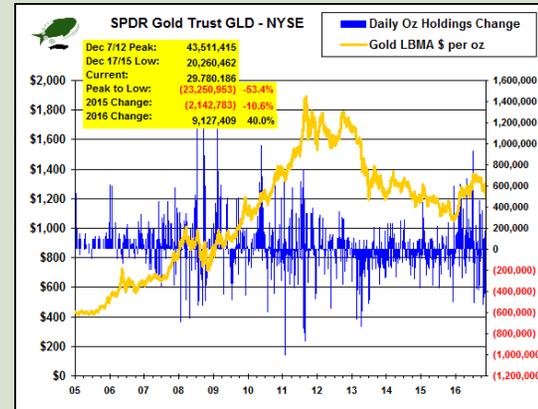


The Four Core Resource Sector Narratives

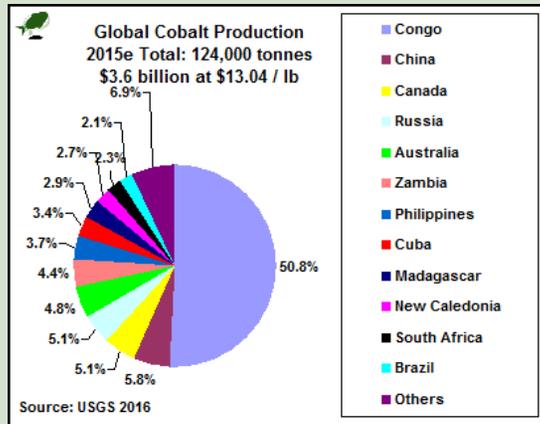
Commodity Cycle



Gold Bug



Security of Supply



Discovery Exploration

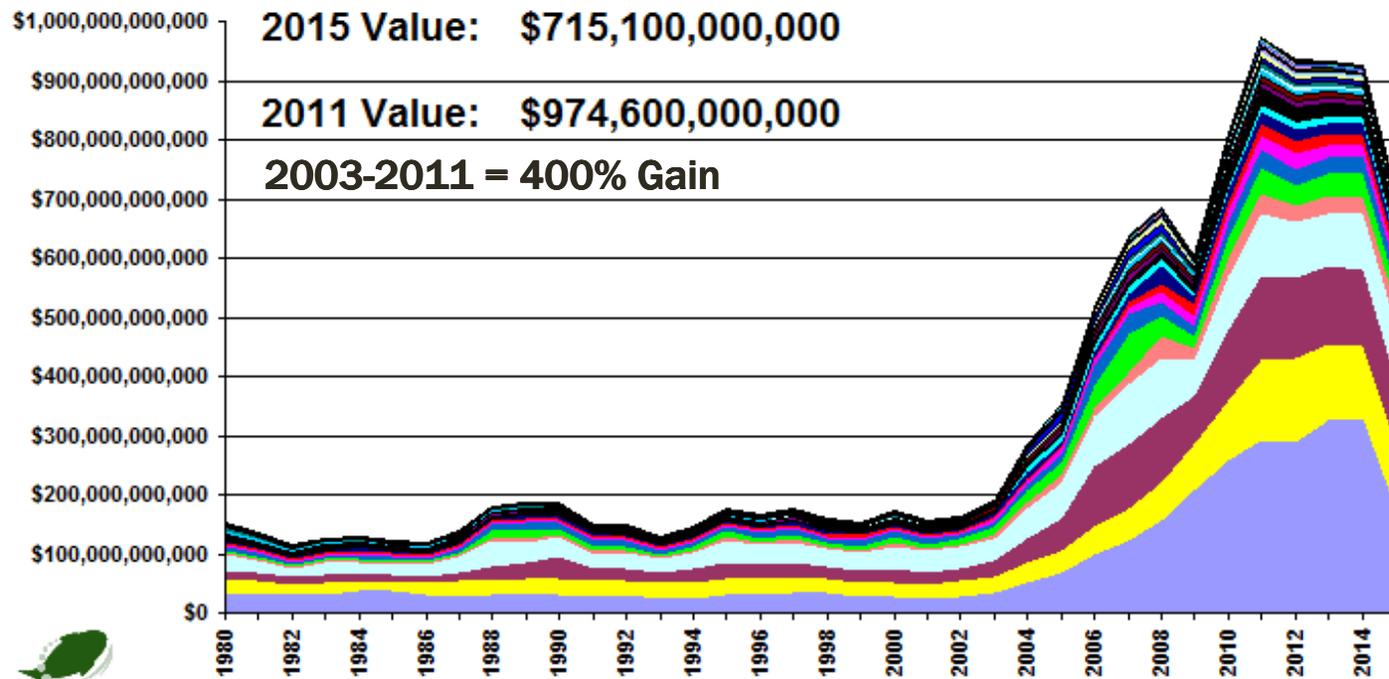


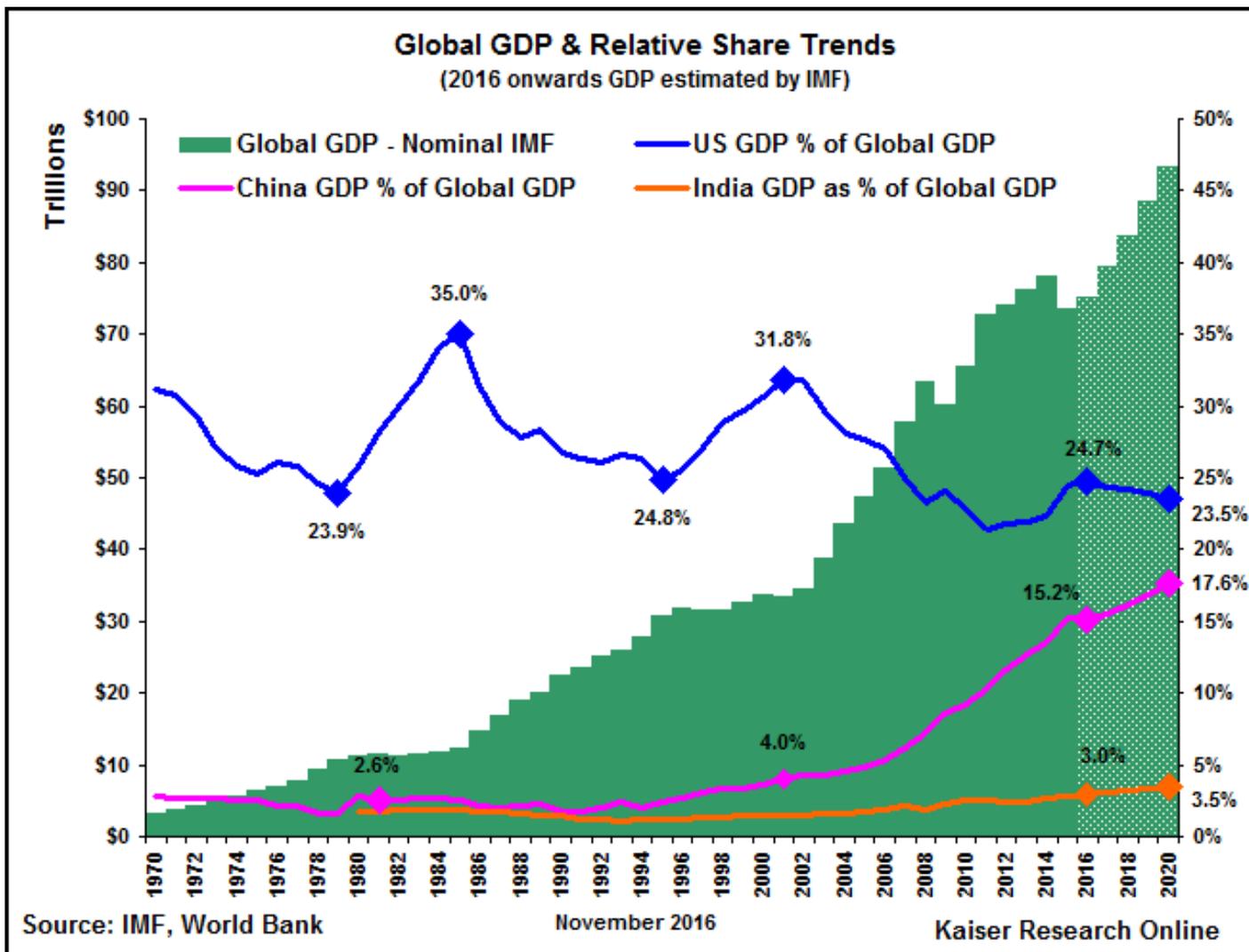
Commodity awakening, Security of Supply poised, Gold Bug imminent, Discovery emerging

Global Value Metals

Production Data Source: USGS - Value based on avg annual price

Iron Ore	Gold	Copper	Aluminum	Chromite	Nickel	Zinc
Potash	Phosphate	Manganese	Diamonds	Silver	Lead	Platinum
Uranium	Palladium	Tin	Molybdenum	Cobalt	Tungsten	Niobium
Rare Earths	Magnesium	Vanadium	Zirconium	Graphite	Antimony	Lithium
Titanium	Indium	Germanium	Tantalum	Bismuth	Beryllium	Gallium
Rhenium	Selenium	Tellurium				



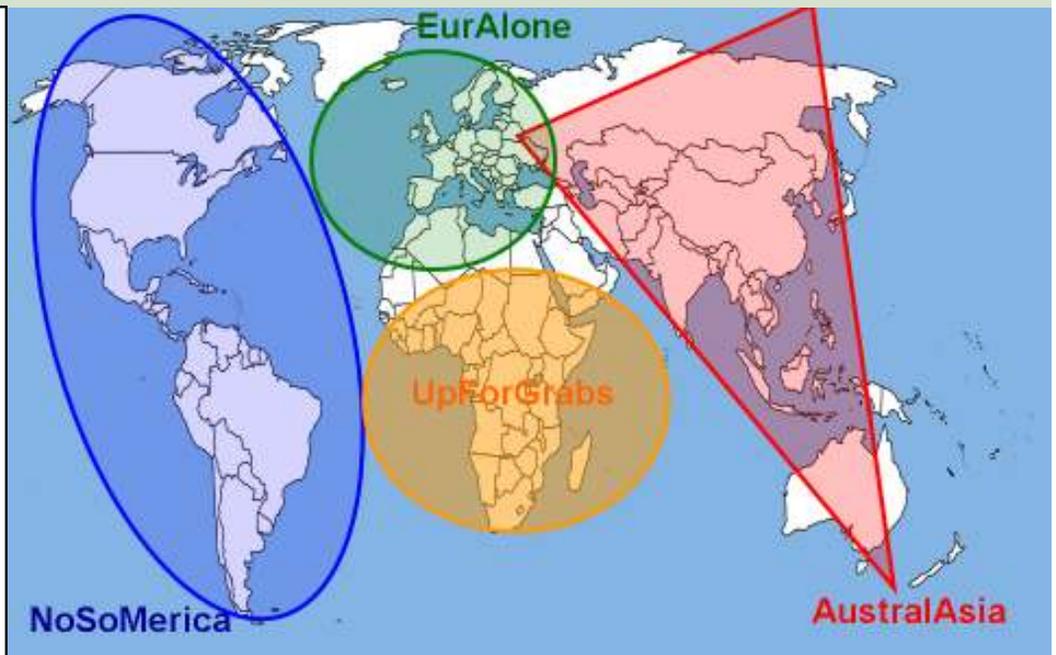
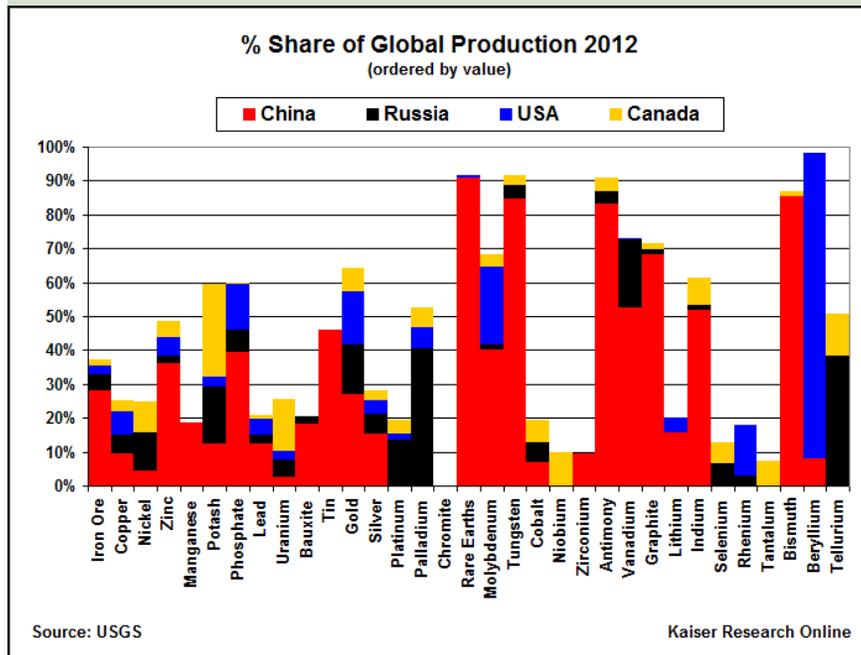


**The
Commodity
Cycle
Narrative
and its
Super-Cycle
Variation –
India cannot
hit a tipping
point until
beyond
2020**

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

Where does or will your metal come from?

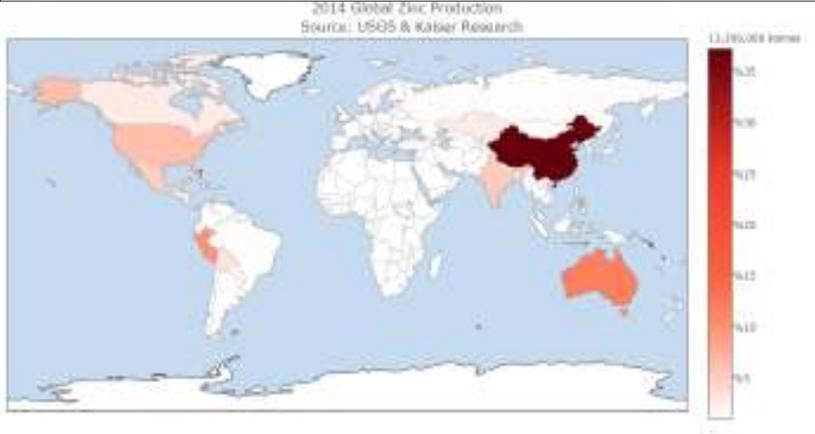
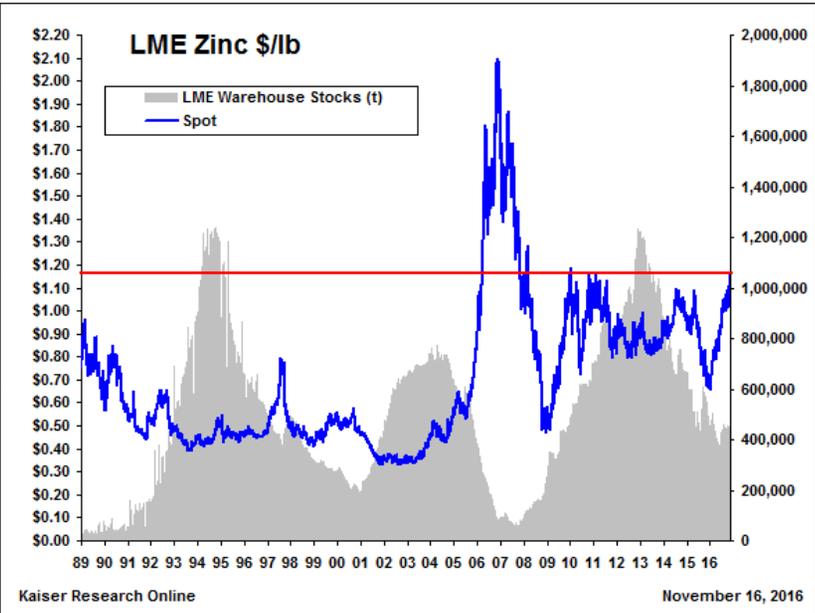


China to Pillory, or Praise, Cities Based on Water Pollution

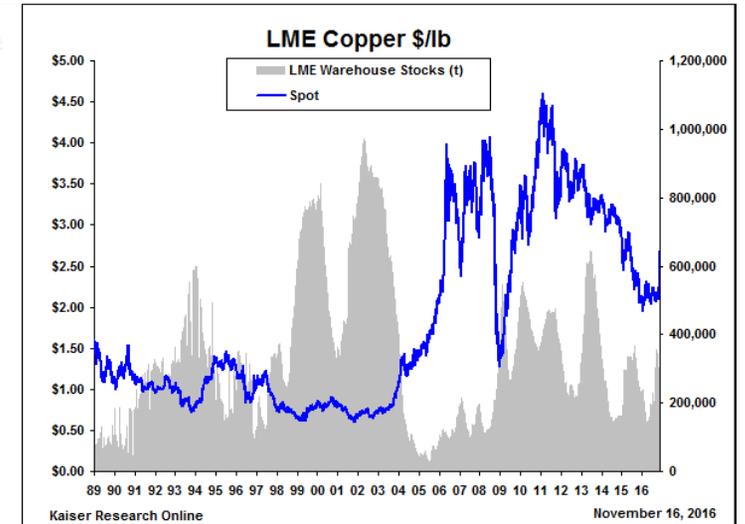
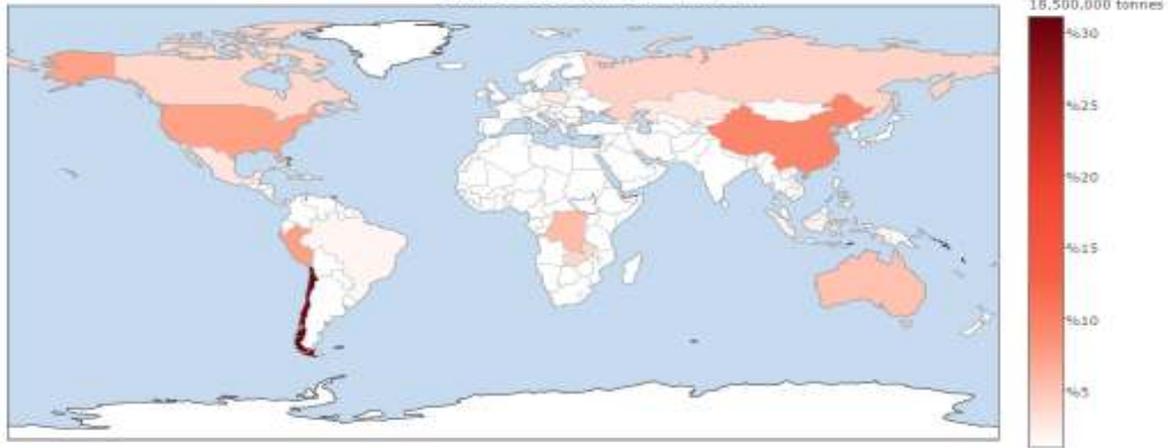
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Sinosphere

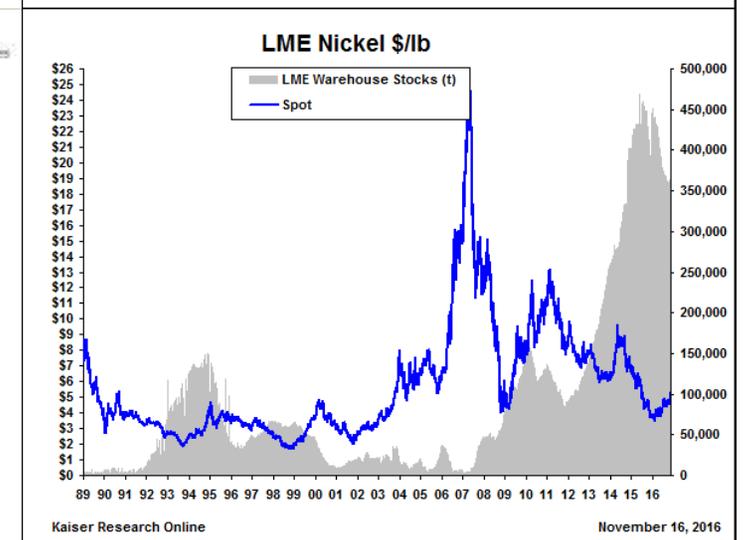
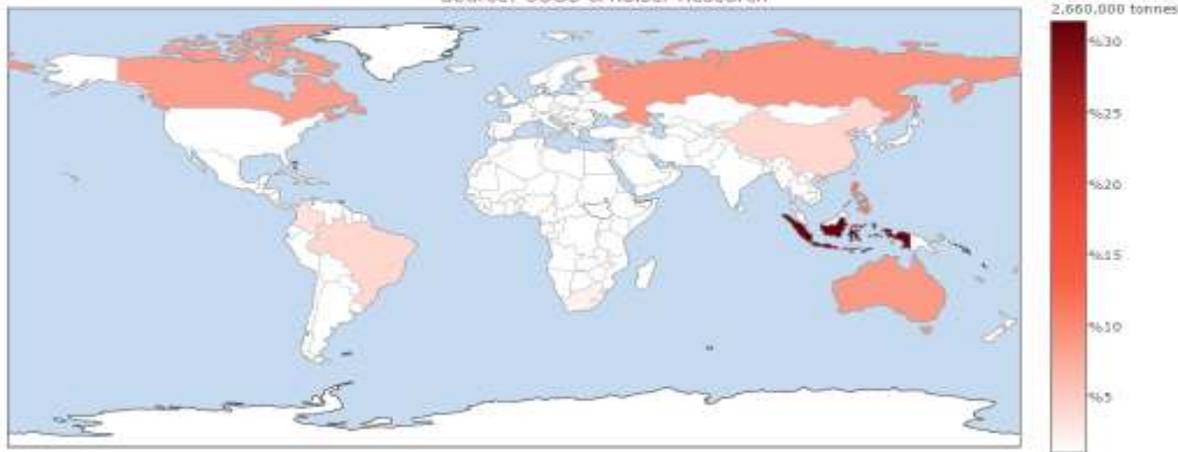
By EDWARD WONG JULY 7, 2016



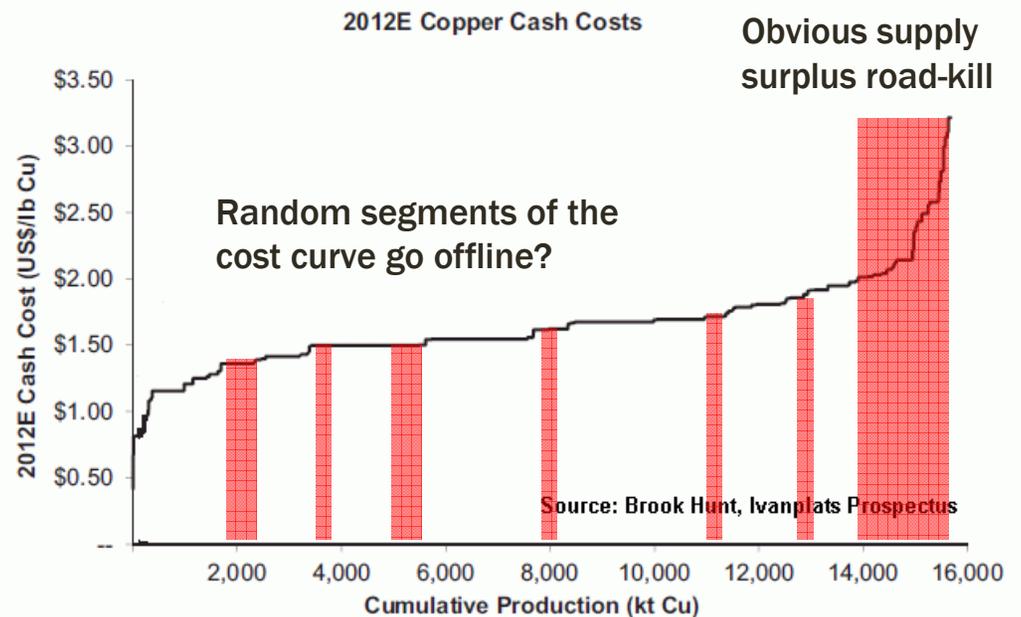
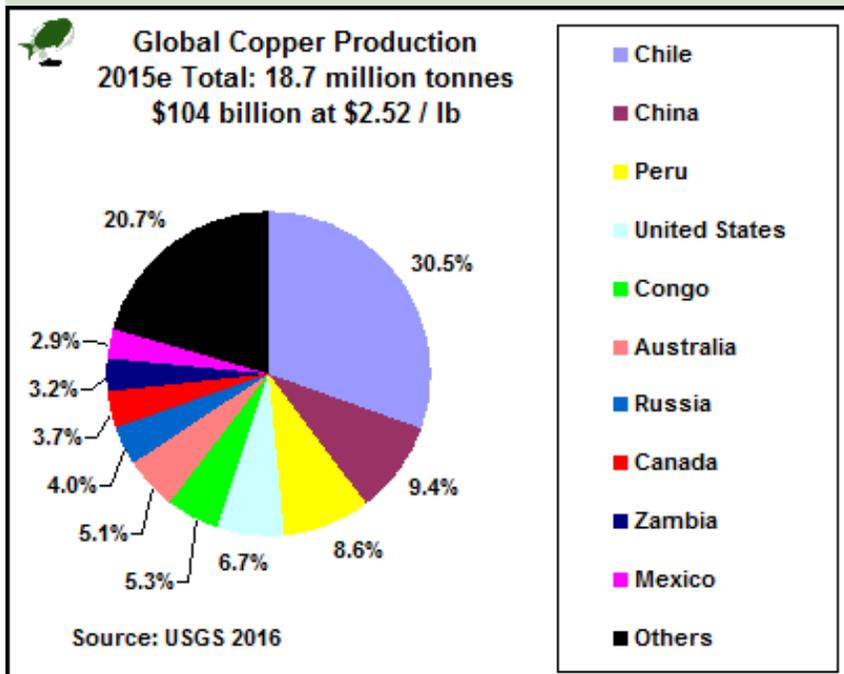
2014 Global Copper Production
Source: USGS & Kaiser Research



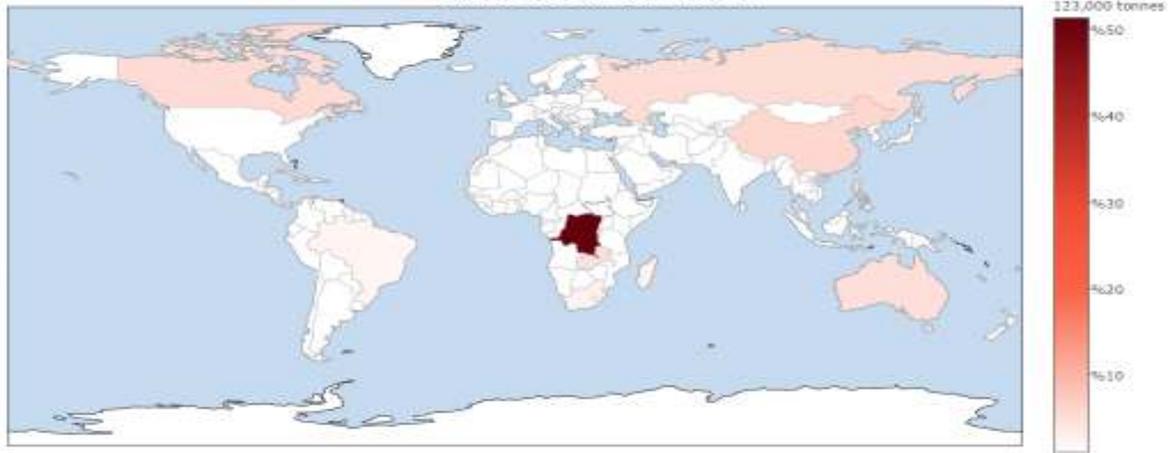
2013 Global Nickel Production
Source: USGS & Kaiser Research



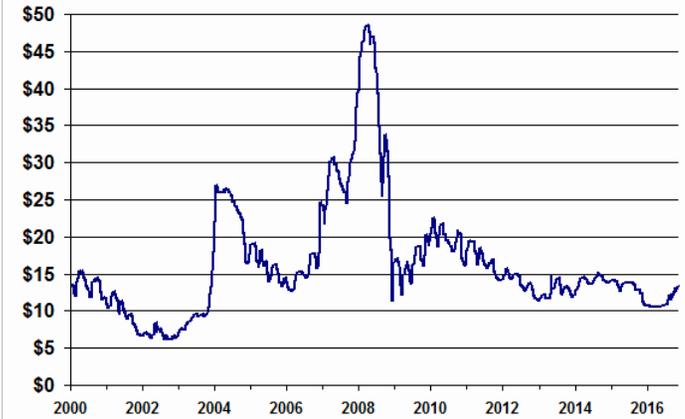
The greatest likelihood for higher medium term non precious metal prices lies with unpredictable supply disruptions such as civil strife, infrastructure failure, resource nationalism, & sanctions. Price uptrends will be metal specific and development decisions will focus on “safe” jurisdictions.



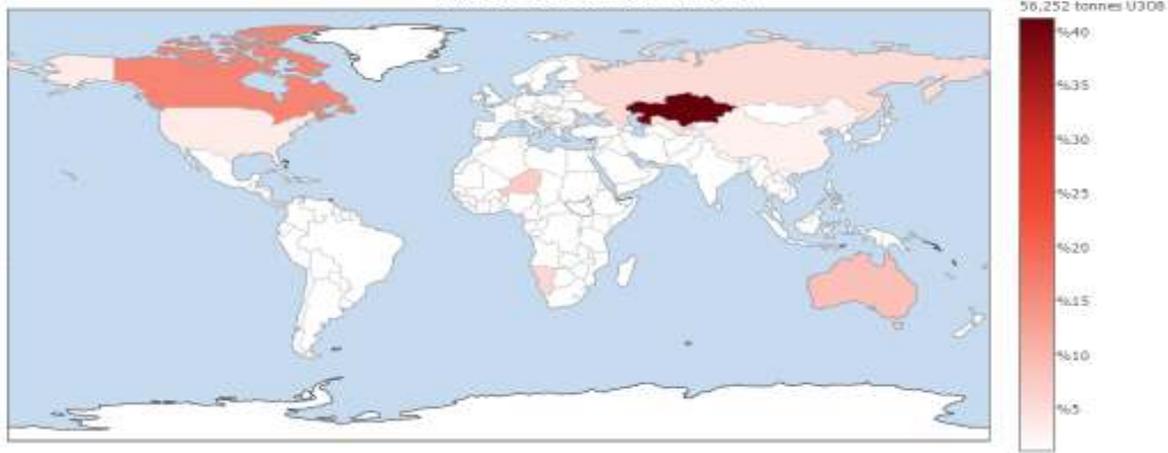
2014 Global Cobalt Production
Source: USGS & Kaiser Research



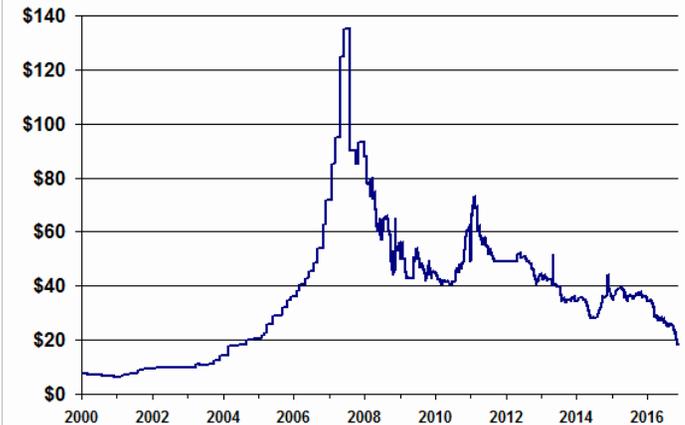
Cobalt
US \$/lb



2014 Global Uranium Production
Source: USGS & Kaiser Research



Uranium
US \$/lb U3O8

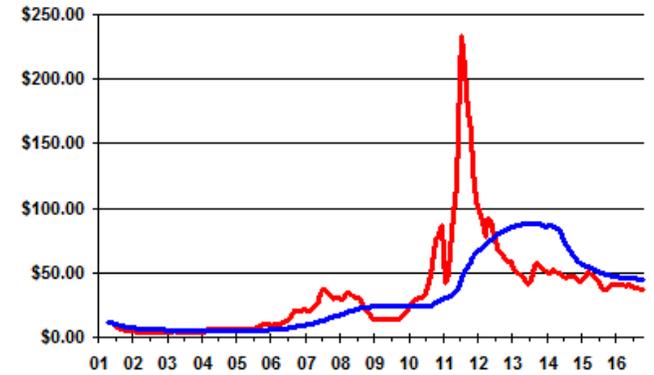


2013 Global Rare Earths Production
Source: USGS & Kaiser Research



**Neodymium Oxide
US \$/kg FOB**

\$36.89 — monthly avg
\$44.14 — 3 year avg

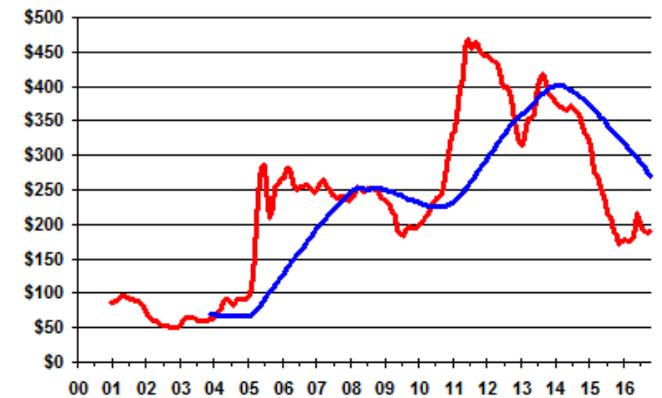


2014 Global Tungsten Production
Source: USGS & Kaiser Research

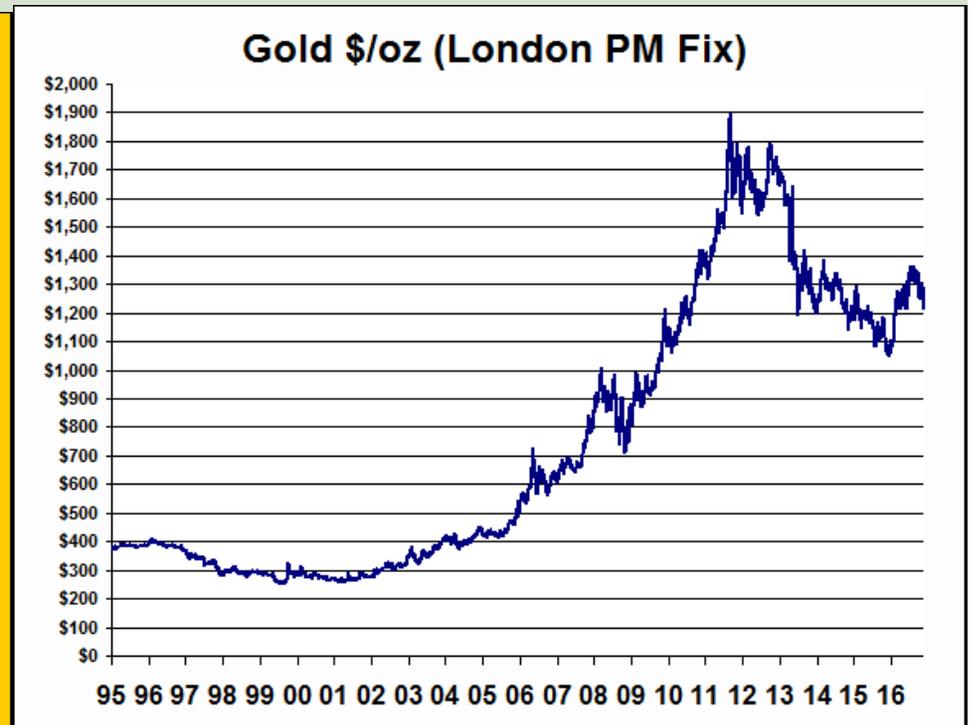
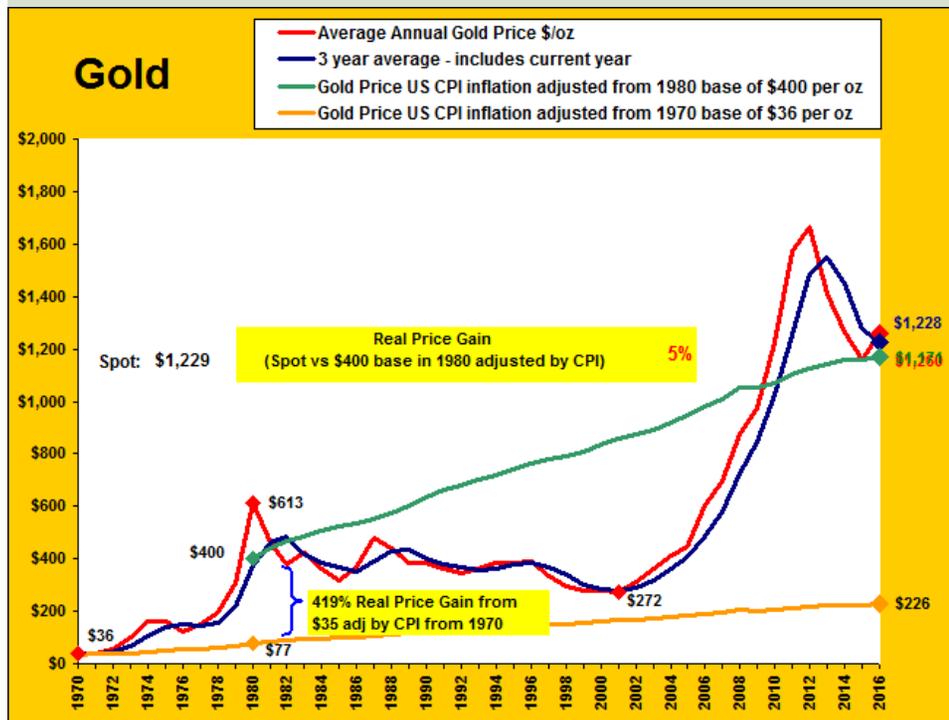


Tungsten APT US \$/mtu

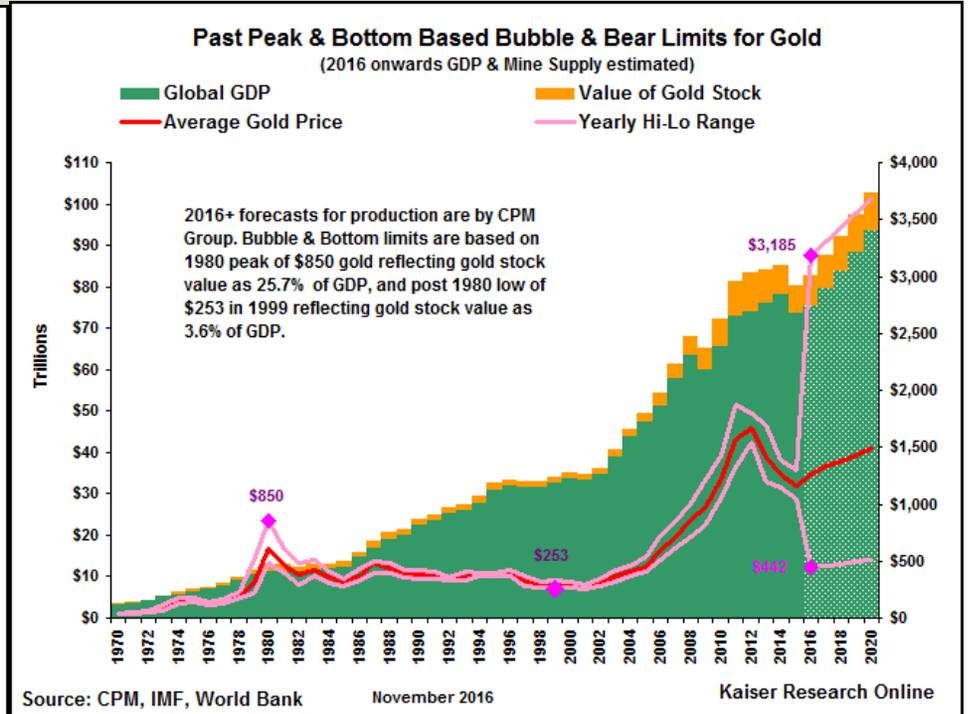
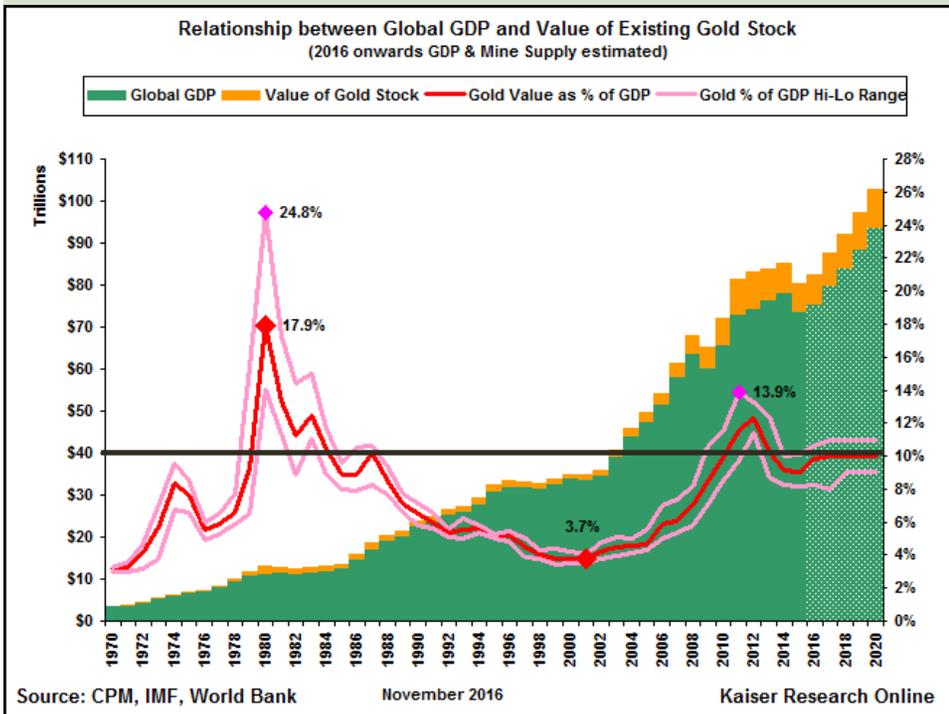
\$189.29 — Monthly Avg
\$270.09 — 3 Year Avg

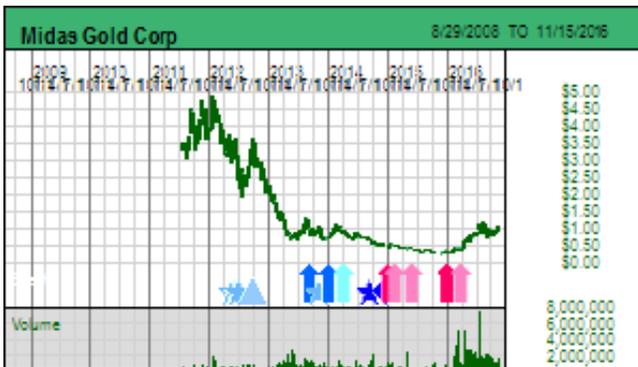


Gold as a hedge against a hedge against fiat currency debasement or inflation does not expand the margin between the cost of producing gold and the revenue from selling it. Is there any reason to believe a higher real price is on the horizon that justifies talking about leverage and optionality for ounces in the ground?



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 10% rate should deliver \$1,500 gold in real price terms over the next 4 years. But if you 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. Does Donald Trump as President make you feel calm about the future?

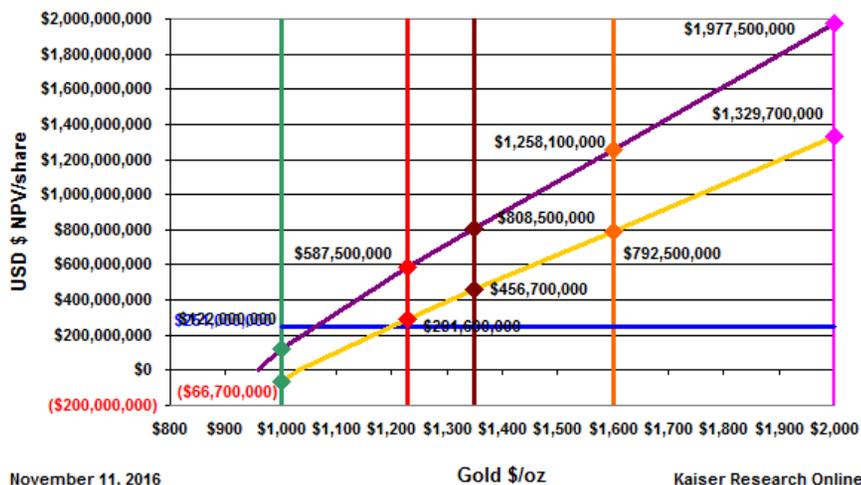




Optionality Plays: bet on higher real gold prices by buying juniors with gold projects that will not be developed at the current gold price and thus are intrinsically worthless though not free.

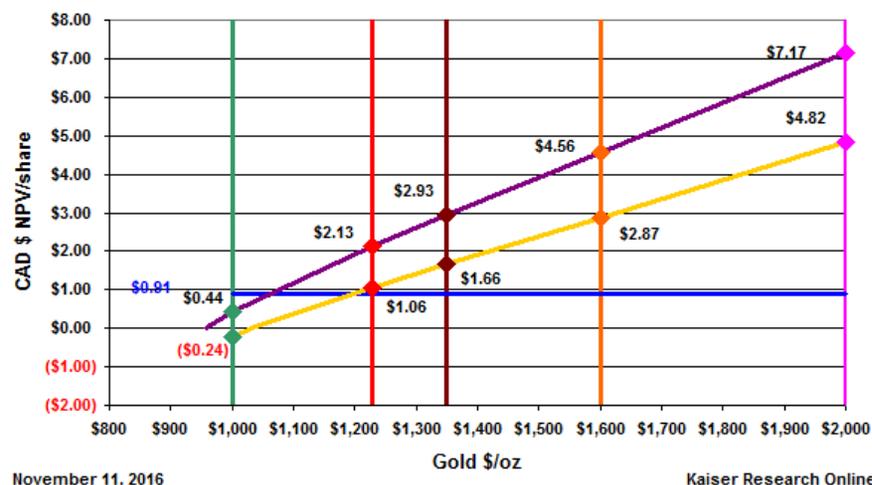
Midas Gold - Stibnite - After Tax NPV Sensitivity

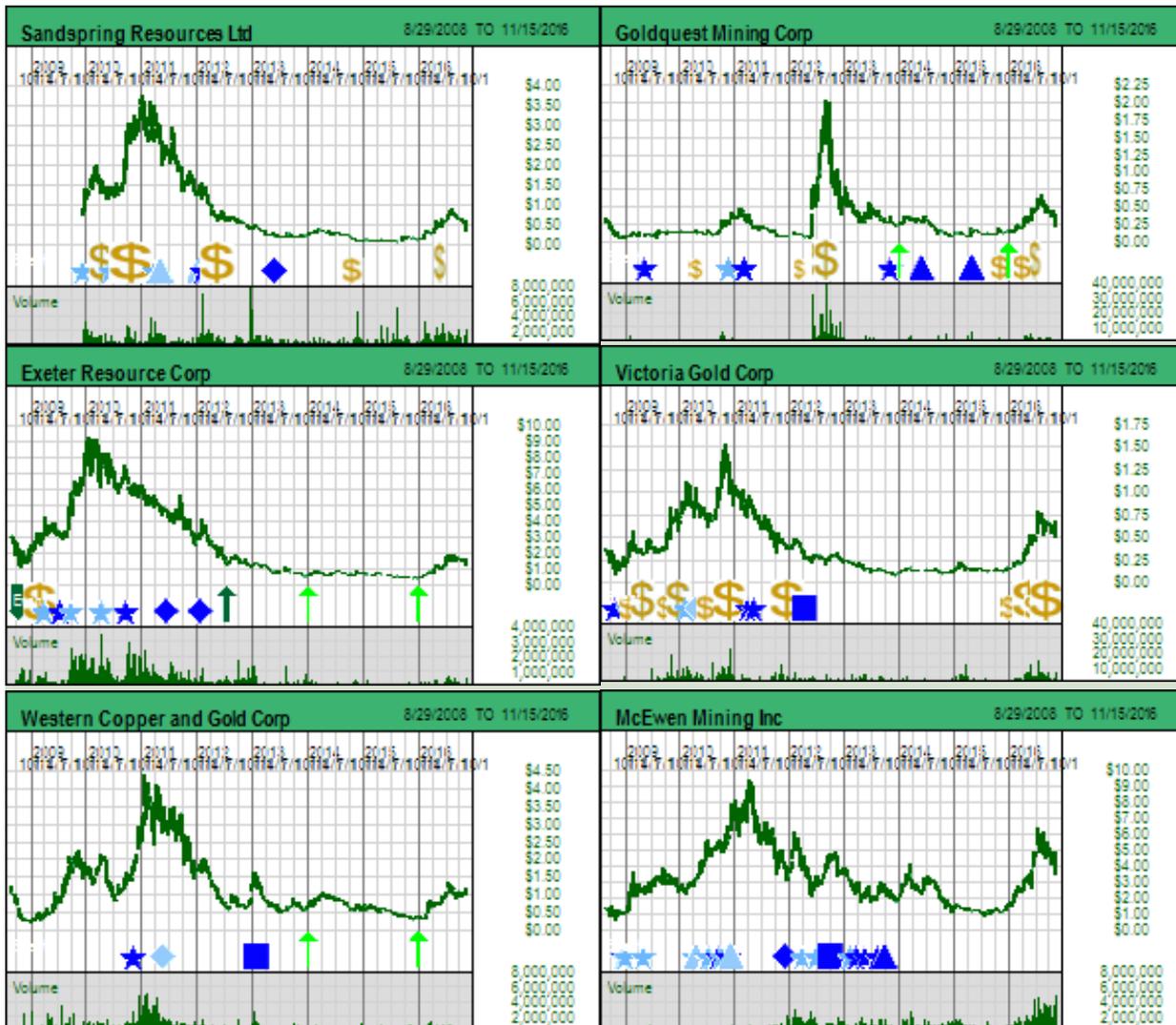
- Pessimistic - \$1,000/oz Au - IRR 8%
 - Base Case - \$1,350/oz Au - IRR 22.3%
 - Current - \$1,228/oz Au - IRR 18.2%
 - Optimistic - \$1,600/oz Au - IRR 30%
 - Fantasy - \$2,000/oz Au - IRR 41.3%
 - Implied 100% Project Value - \$251,000,000
 - AT NPV vs \$/oz Au at 10% Disc Rate
 - AT NPV vs \$/oz Au at 5% Disc Rate
- PFS Dec 2014: 20,000 tpd OP Flot-POX in Idaho, USA
 Capex \$970 M, SustCap \$98 M, OpEx \$29.28/t, 12 yr life
 LOM: 89 MT @ 1.61 g/t Au, 2.43 g/t Ag, 0.07% Sb (all fig metric)
 LOM Rec: Au 87.4%, Ag 19.2%, Sb 85.7%, \$15.93/oz Ag, \$2.50/lb Sb
 FD: 372 M, tax 43.4%, exch 0.74:1 USD/CAD, 100% Net
 LOM Output: 4 M oz Au, 2 M oz Ag, 100 M lb Sb



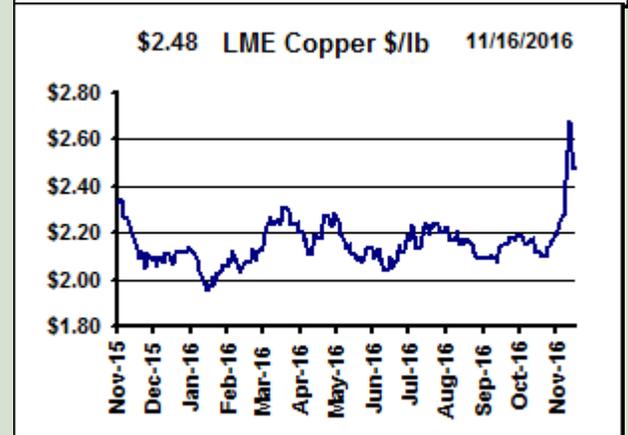
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 - Current - \$1,228/oz Au - IRR 18.2%
 - Optimistic - \$1,600/oz Au - IRR 30%
 - Fantasy - \$2,000/oz Au - IRR 41.3%
 - Current Stock Price - \$0.91
 - Share vs \$/oz Au at 10% Disc Rate
 - Share vs \$/oz Au at 5% Disc Rate
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 Capex \$970 M, SustCap \$98 M, OpEx \$29.28/t, 12 yr life
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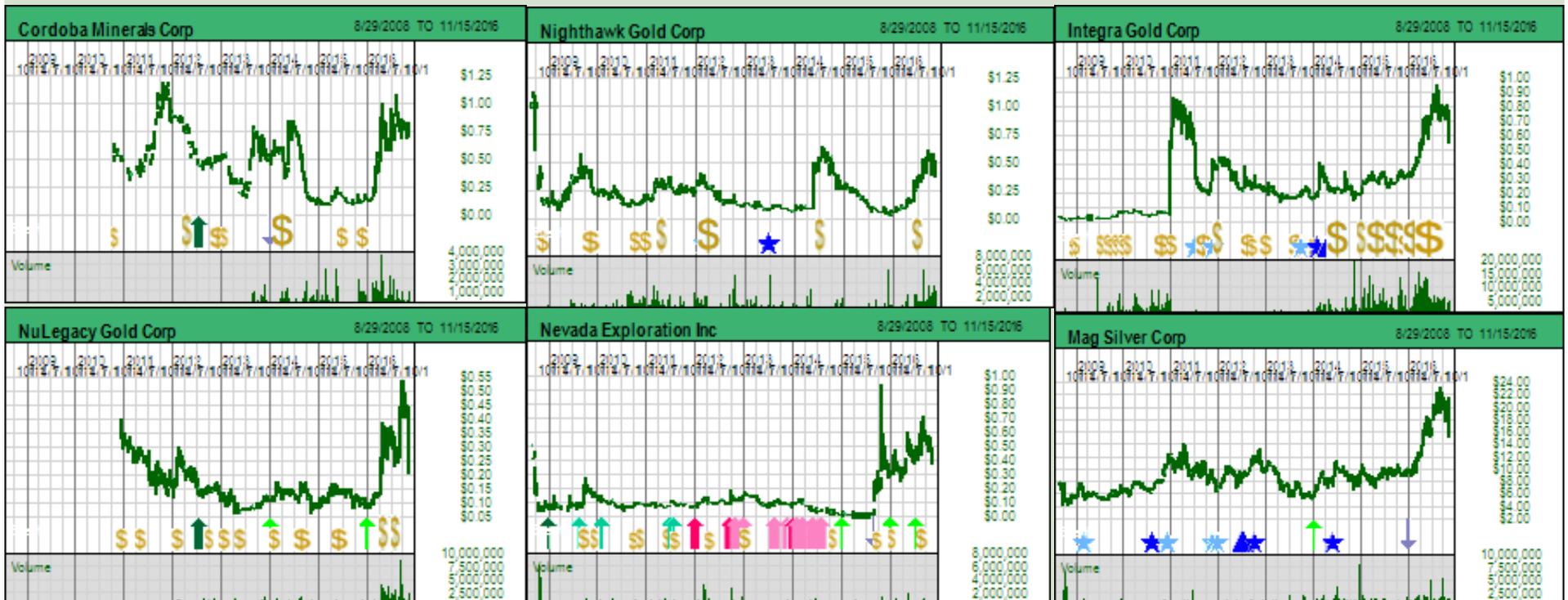
49 North optionality plays leveraged to higher real gold and/or copper prices.



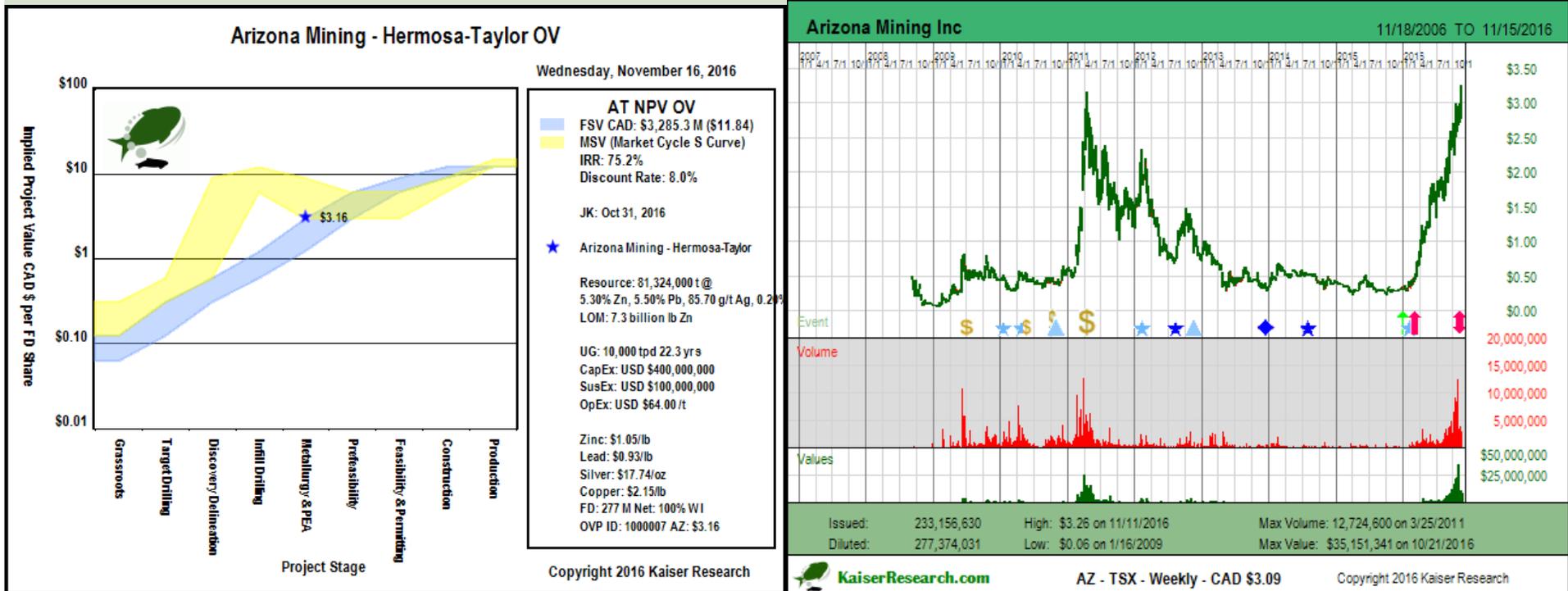
Discovery Exploration: an alternative to optionality gambling

Exploring for deposits that are economic at the metal prices we have.

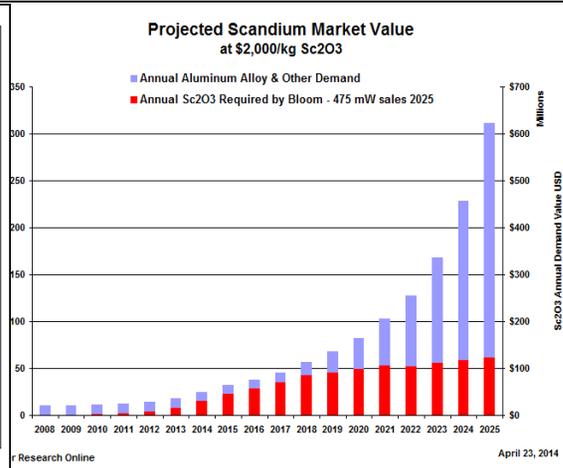
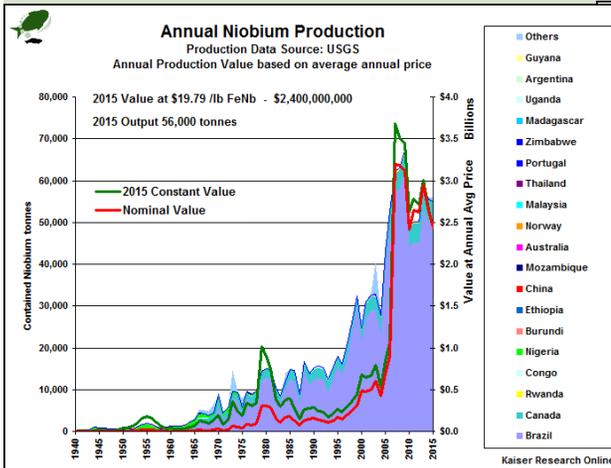
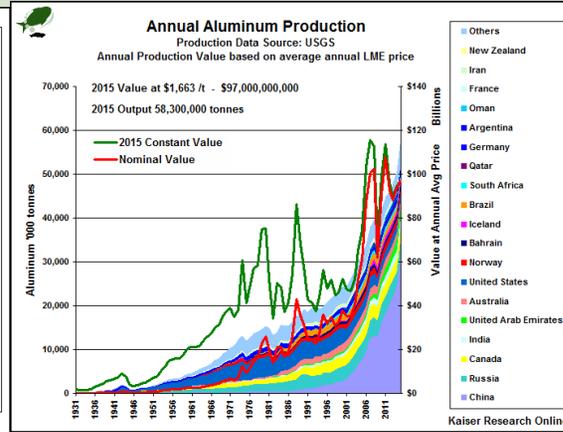
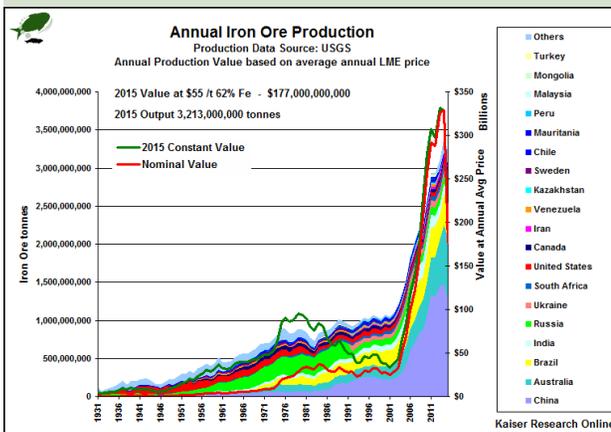
- 1) grassroots exploration
- 2) applying new exploration methods
- 3) rethinking existing systems



Discovery Exploration does not need a higher metal price to deliver spectacular gains!



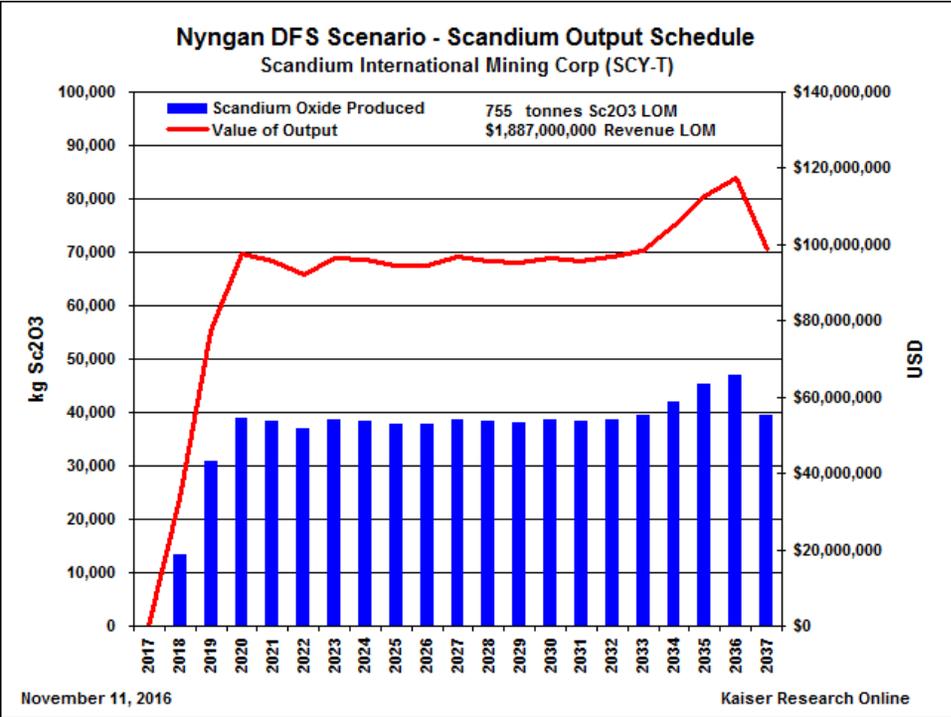
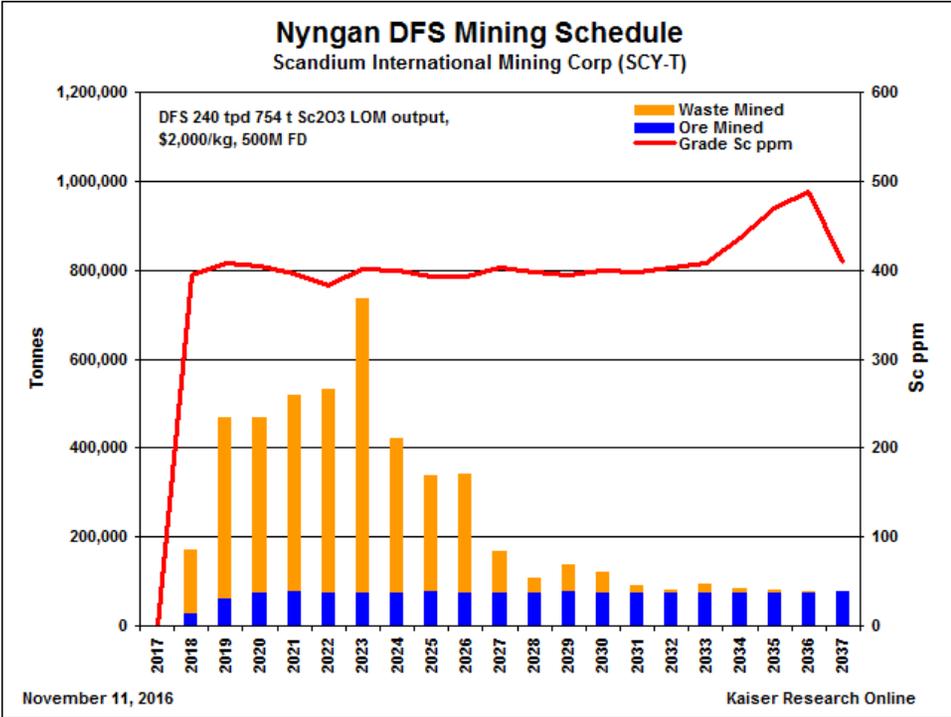
Scandium: annual \$20 million to \$2 billion growth in next decade?



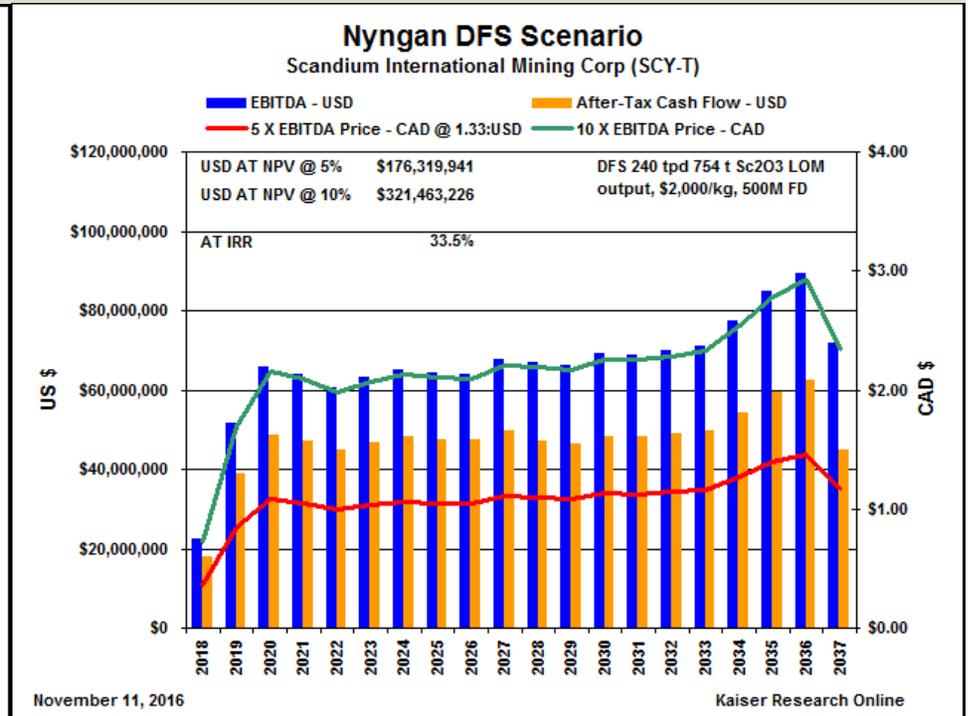
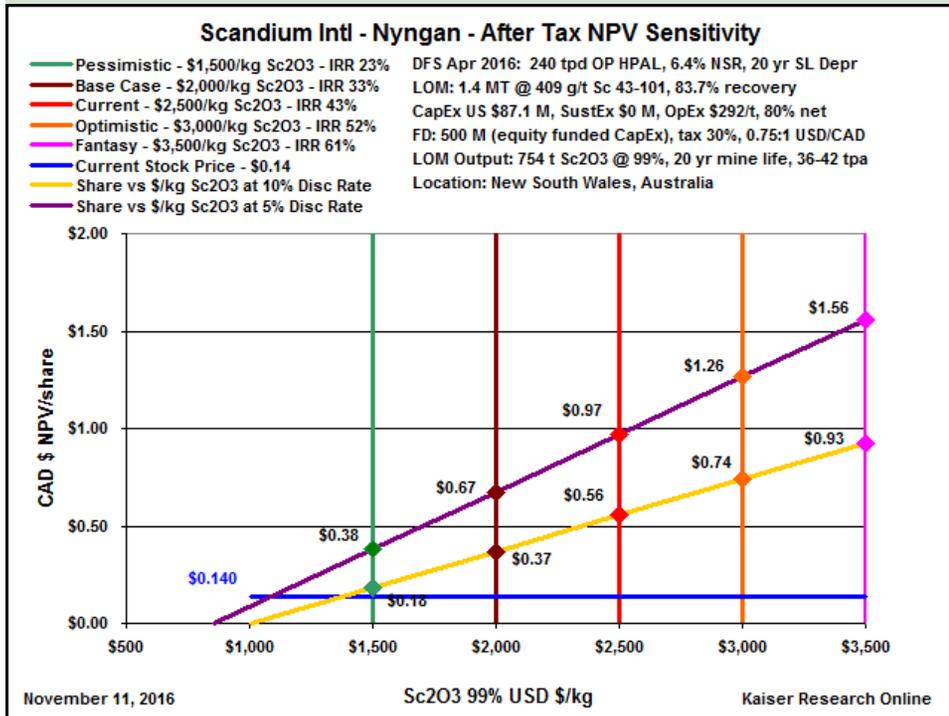
- Perfect aluminum alloy
- Stronger, corrosion resistant, reliable weld joints, 3D printable
- Historically available only as non-scalable by-product from uranium ISL, rare earth mines and titanium dioxide waste streams



Scandium International Mining Corp: DFS scenario 240 tpd producing 755 tonnes scandium oxide over 20 year mine life at average grade of 409 g/t Sc with USD \$87 million CapEx – equivalent to 50,000 oz per year gold mine.

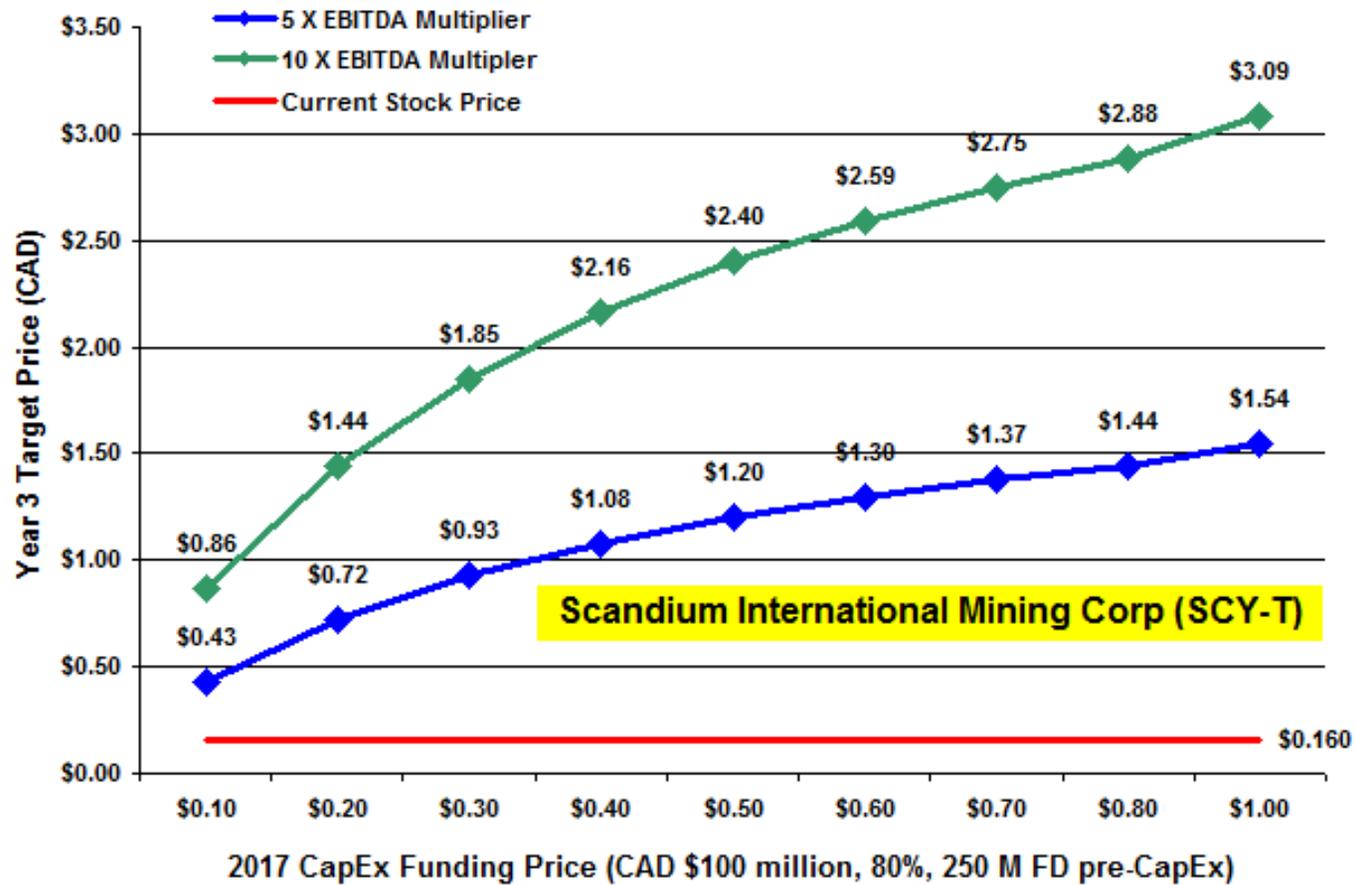


Two ways of valuing Nyngan in a 100% equity CapEx financing at \$0.40: DCF based NPV and EBITDA Multiple at fill production.



Nyngan Year 3 Price Targets

(Based on DFS Ore Schedule at 240 tpd - 38 tonnes Scandium Oxide)

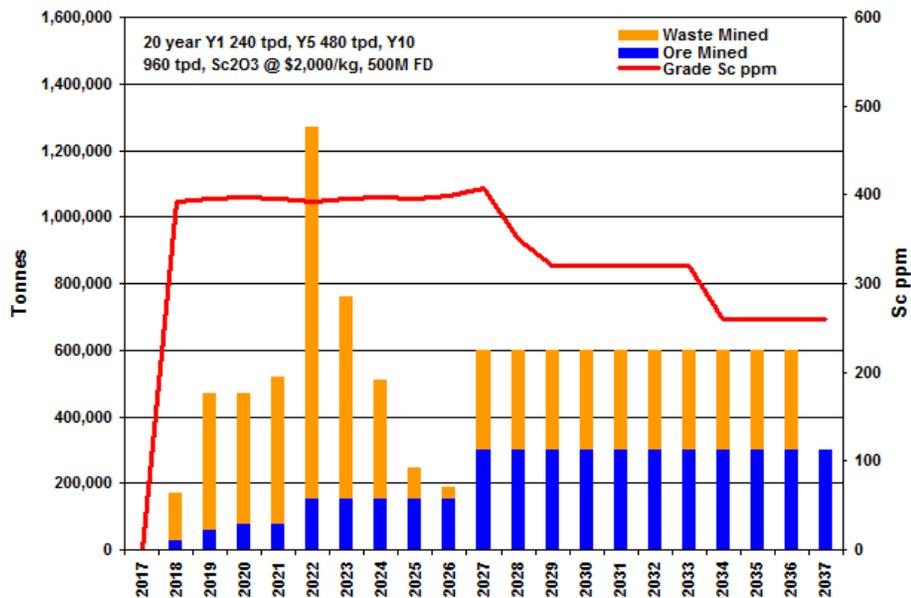


November 11, 2016

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Consider cash flow funded multiple expansions to supply growing demand that turns Nyngan into the equivalent of a 200,000 oz per year gold mine.

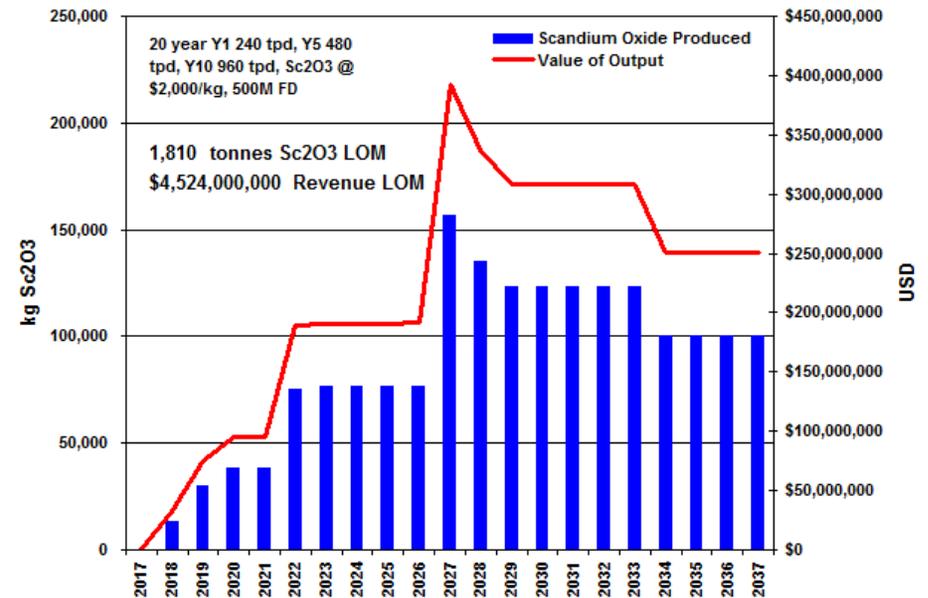
Nyngan Expansion Scenario Mining Schedule
Scandium International Mining Corp (SCY-T)



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Nyngan Expansion Scenario - Scandium Output Schedule
Scandium International Mining Corp (SCY-T)

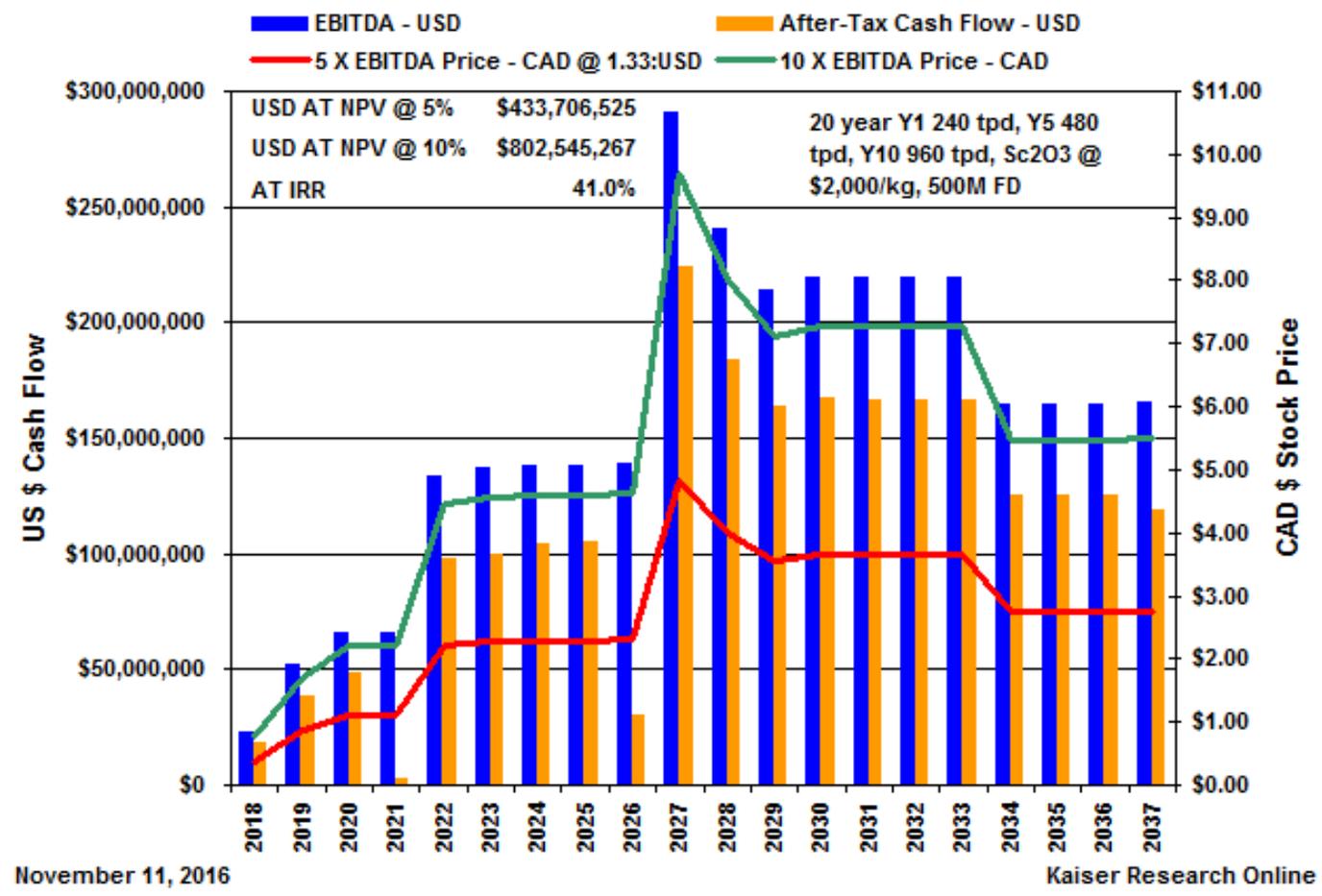


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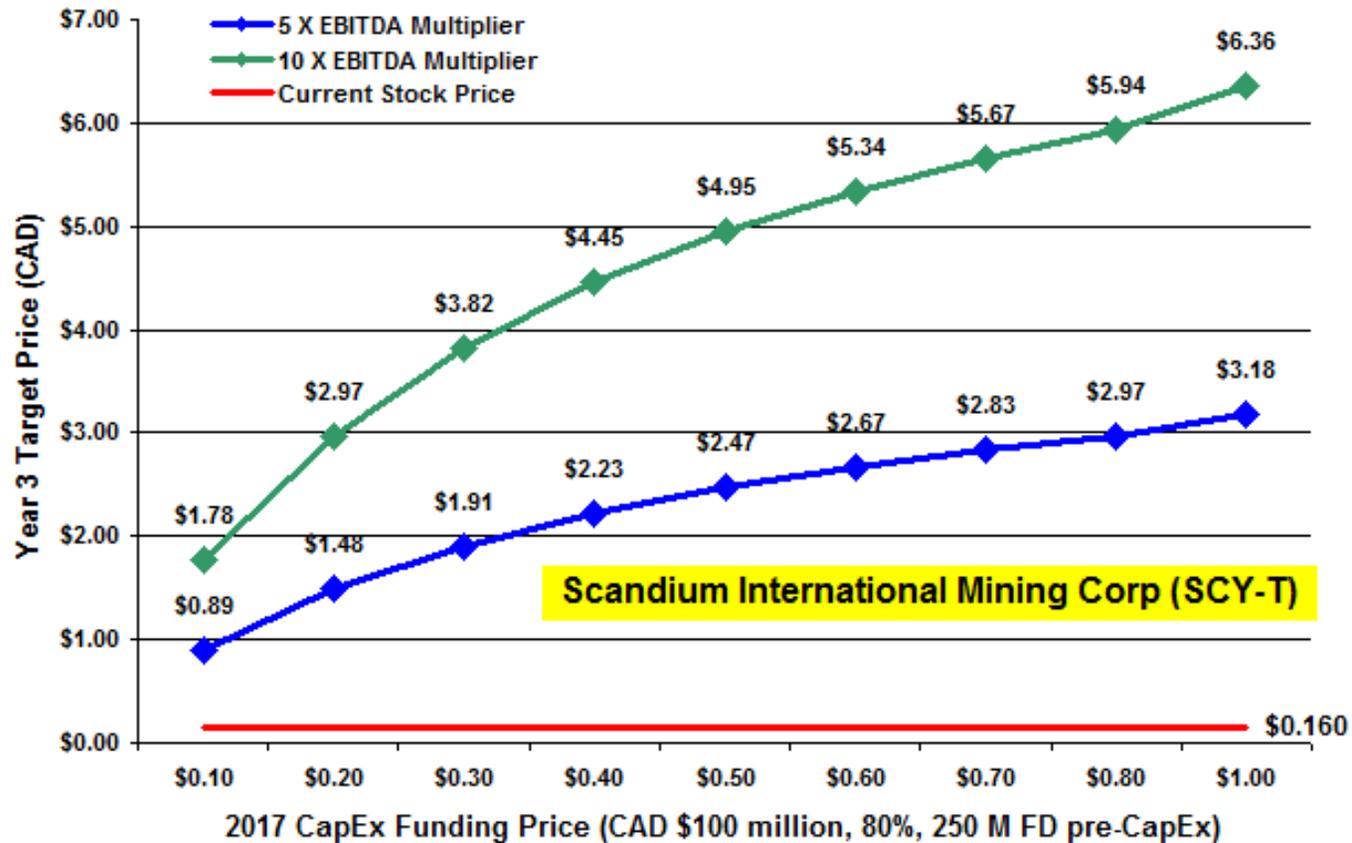
Nyngan Expansion Scenario

Scandium International Mining Corp (SCY-T)



Nyngan Year 5 Price Targets

(Cash Flow funded expansion in Year 4 to 480 tpd - 76 tonnes scandium oxide)



Scandium International Mining Corp (SCY-T)

Kaiser Research Online

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Being way ahead of the curve is no fun but there is nothing like already being on board when the breakout happens!