

Benjamin Cox, Oreninc MD
Education Workshop

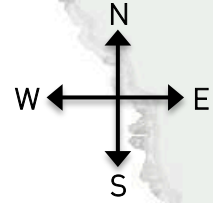


How to Read a Technical Report as an Investor



Benjamin Cox | Managing Director | 360.262.6969 | bjc@oreninc.com

Who is Benjamin Cox?



Aston Bay



Somerset
Island

Baffin Bay

Greenland

Diverse background in mining & finance:

- D.E. Shaw: Hedge fund
- Linux Fund: Open-source technology



Roche Bay
Hall Beach

Baffin
Island

Davis
Strait

Nunavut, Canada

Foxe
Basin



CEO, Director

Copper and zinc

Near surface, +1% average intersections



Founder, MD

Equity finance data and research
Sector, broker analysis



CEO, Director

Iron ore

Multiple JV partners

What to do with Technical Reports...line the compost bin?



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...make paper airplanes?



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...read?



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Actually read the Technical Report...

But let's be serious, you would rather do anything else:

- 1 Taxes
- 2 Root canal surgery
- 3 Dinner with the ex or the in-laws

How do you read it?

Read with purpose:

- 1 Formulate and answer questions
- 2 Look at disclaimers
- 3 Determine what the company focuses on
- 4 Poke holes in foolish assumptions
- 5 Skim the boring (non-material) bits

Oreninc Due Diligence Checklist

Transport/Location

- ✓ How will resource be hauled?
- ✓ Distance/cost of transport
- ✓ Port capacity
- ✓ Accessibility
- ✓ Country risk (e.g., border, regulatory)

Infrastructure

- ✓ Cost
- ✓ Shared infrastructure
- ✓ Power, water, labor
- ✓ Mill size/capacity
- ✓ Tailings/waste

Resource

- ✓ Grade/size
- ✓ Byproducts, impurities
- ✓ Shape of ore body/ease of mining
- ✓ Type of deposit
- ✓ Historical estimates

Mine

- ✓ Development stage
- ✓ Open pit/underground
- ✓ Production/recovery rates

Permitting

- ✓ First Nations
- ✓ Bodies of water
- ✓ National forests
- ✓ Opponents of mine (i.e., Environmentalists, NIMBYism)

Financials

- ✓ Capex/Opex
- ✓ Cash on hand, loans, debt
- ✓ Royalties/NSRs
- ✓ Market exposure

Partnerships

- ✓ Joint ventures
- ✓ Terms of partnership
- ✓ Major shareholders

Management

- ✓ Can they raise money?
- ✓ Industry experience/connections
- ✓ Delivers

Actual Resource Statement

- 1 How is ore defined?
- 2 What is the cut-off?
- 3 What is the raw rock value?
- 4 Is it open-pit or underground?
- 5 Does it make sense or is it a big stretch?
- 6 Does it match operating mines?
- 7 Do the answers for 1-6 seem reasonable given the location?

Does it make sense scale-wise?

- ① Can management build the mine?
- ② Will a major want the mine?
- ③ Do the capital requirements make sense?
- ④ Does the capital raising strategy make sense?
 - Is there a capital raising strategy?
- ⑤ How hidden are the economics; do they lay it out or bury it?

An example of the type of question to ask

How is CAPEX affected by each additional year spent building the mine?

- 1 What is the cost of capital for construction time?
- 2 How should a company deal with this?
- 3 Do any of the studies talk about construction time/cost?

When reading:

- ① Work with a note pad
- ② Write down questions for management
- ③ If you do not understand something, decide if it is material
 - Bug management if it is
 - Understand that the IR person has probably not read the report, so give management time to respond

Don't try to be an expert in every commodity

If you like gold, learn about gold and its:

- 1 Grades
- 2 Recovery
- 3 Open vs. underground
- 4 Permitting
- 5 Water usage
- 6 Size of mines that are economic

Focus + A Critical Lens = Success

- 1 Understand the scope of your knowledge; deepen that knowledge
- 2 Realize the limitations in your understanding
 - Improve it
 - Acknowledge weaknesses that aren't critical to success
- 3 Learn to read what is economic and what is not by the tone of the report
- 4 Develop your own taste buds
 - Read reports of companies that the market has priced as dogs
 - Read reports of companies that the market has priced as thoroughbred winners

Now comes the fun part...

Questions & Discussion

Who is Oreninc?

Oreninc is a boutique merchant bank that provides research for companies, institutions, and investors in the junior commodities space. Since May 2010, we've worked to create greater transparency in an opaque financing market.

With over 1,400 companies continually financing throughout the year, it's nearly impossible for investors to see every deal, let alone the terms of each deal. Oreninc built the Oreninc Deal Log (ODL) to increase the visibility of transactions and to show financing activity in a digestible format. We are continually working to improve the financing market by providing clear, accurate, and concise data.

Oreninc uses a data-driven methodology that allows us to examine financings from a quantitative standpoint. Our fundamental research serves as a platform for consulting companies on capital raises and providing strategic management services. Oreninc has structured, restructured, advised, and formed several resource companies since its establishment.



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