

Panel Presentation

Current Trends in Mining Finance: 2013

Presented by Benjamin Cox

WHAT IS REQUIRED OF MINING COMPANIES TO RAISE CAPITAL TODAY?

Data Parameters:

- Exchanges: **TSX, TSX-V, CNSX**
- Sector Covered: **Metals & Mining**
- Market Cap: **All Market Caps**
- Date Range: **1 Jan. 2011 - 31 Mar. 2013**



Benjamin Cox Managing Director

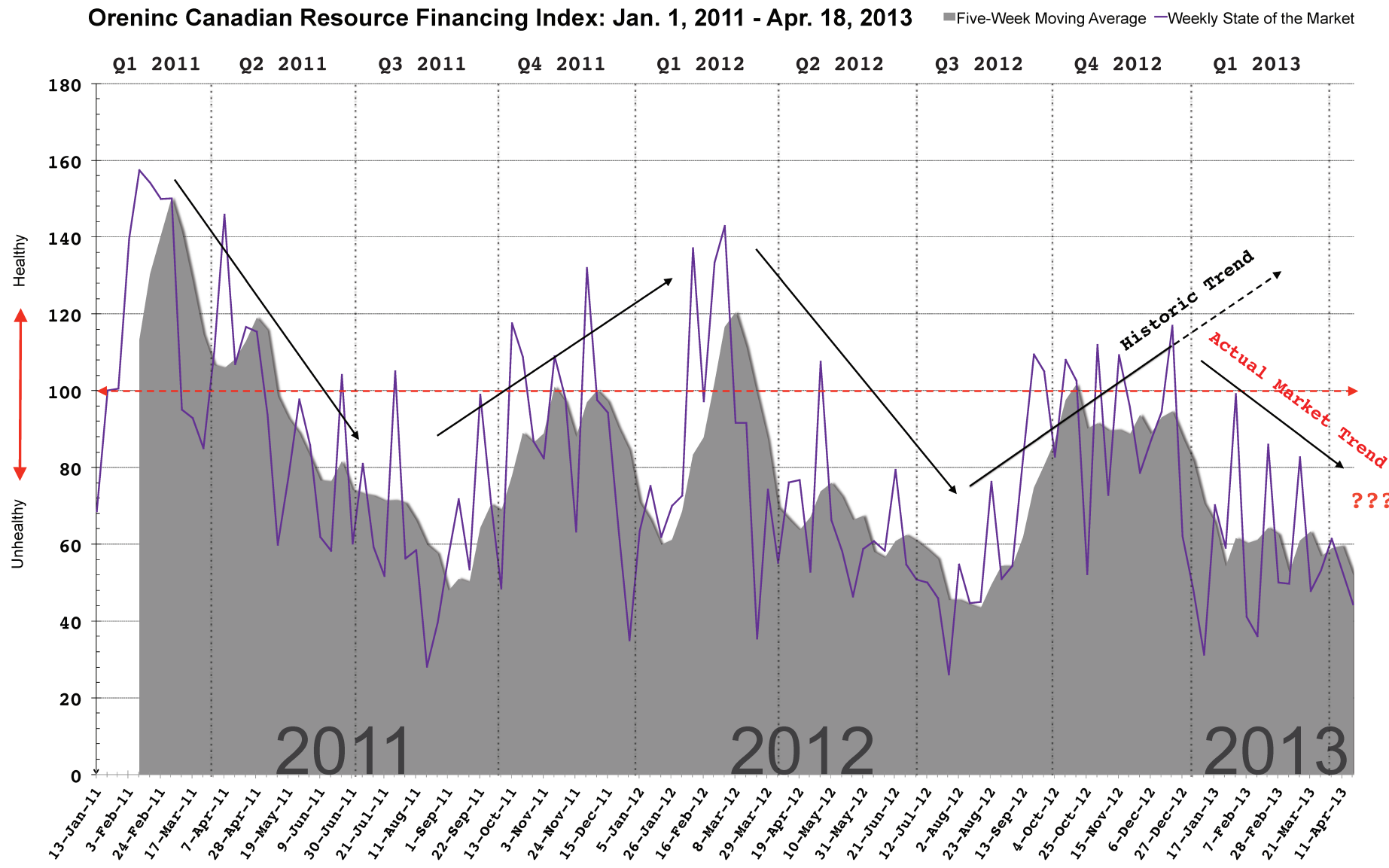
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- What is bankable on the Canadian public markets: production assets and advanced projects:
 - Timing (when is a good time to look for money?)
 - Good luck finding money for early stage projects
 - Number of deals vs. offer size
 - What sectors are bankable?

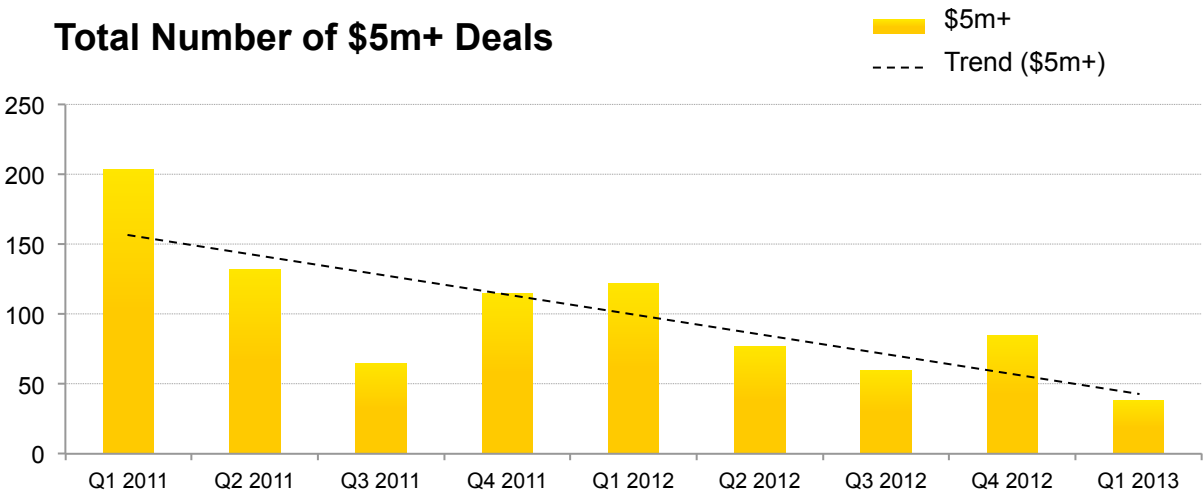
- What we like/how we pick assets:
 - Capital structures
 - Sell it if you would not buy it again today
 - Corporate checklists
 - When to walk away, and when to run

- Take advantage of corporate cash shortages through direct investments



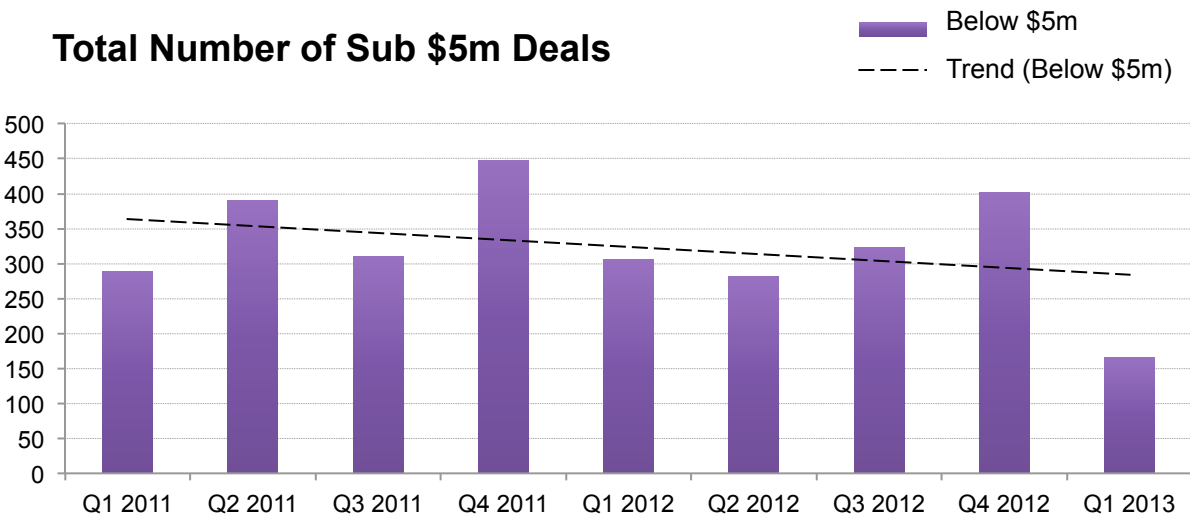
Many sub-\$5m offerings are acting as stop-gap fundraising, bringing in just enough to keep the lights on.

Total Number of \$5m+ Deals



Banks have fled, and the number of deals that can fund meaningful exploration and development has dropped significantly.

Total Number of Sub \$5m Deals



Note: The charts represent all deals in metals and mining opened on or after 1/1/2011 and closed by 31/3/2013.

Average Offer Size: Below \$5m vs. \$5m+

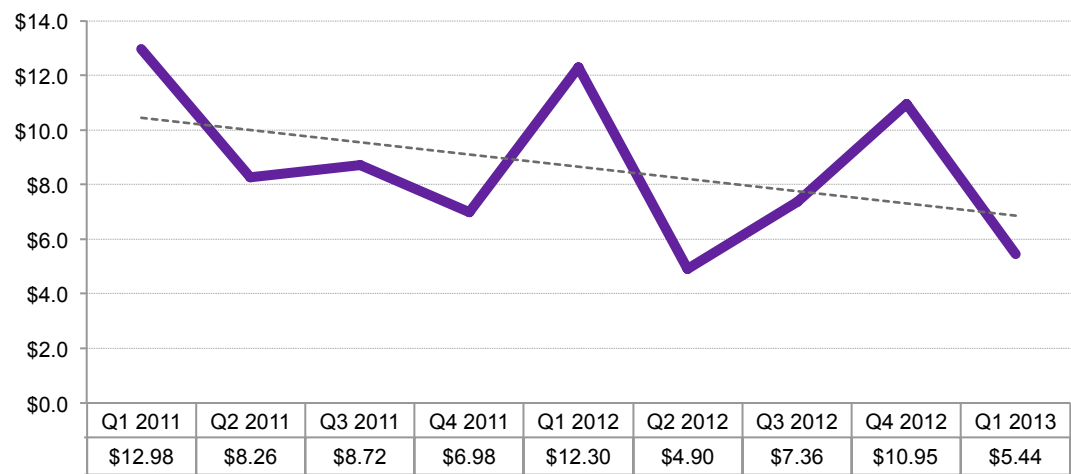
Average deal size has dropped from \$9m to \$5m.

What's hidden behind this average is that large companies are still raising money, but for smaller companies, the well is dry.

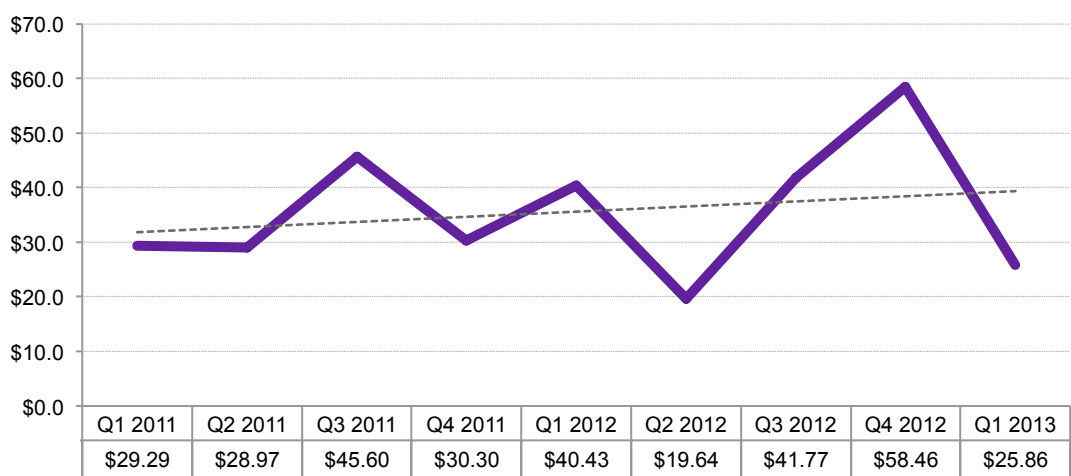
If you are past the exploration stage (and have an economic project), you can survive.

However, for companies still in the growth phase or the early exploration stage, it's bad – really bad.

Average Deal Size

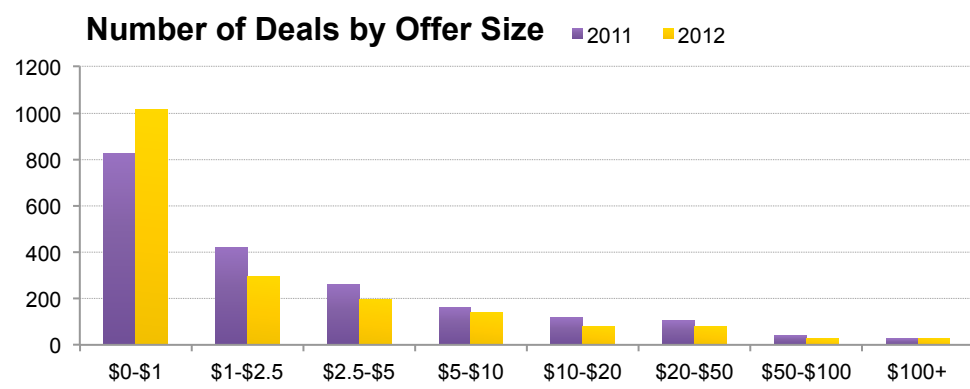
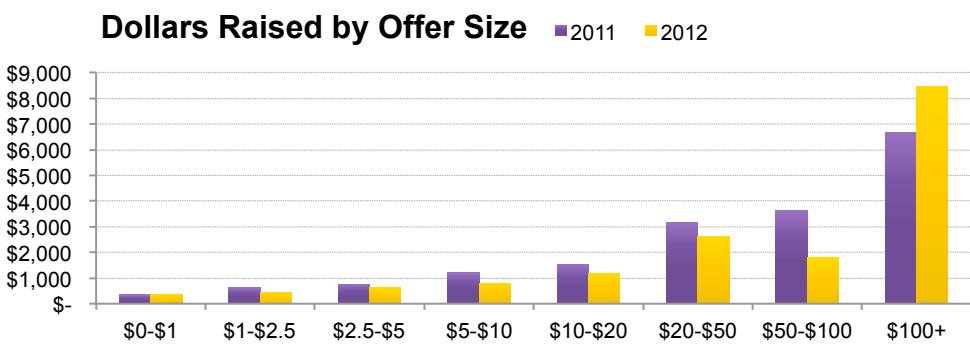
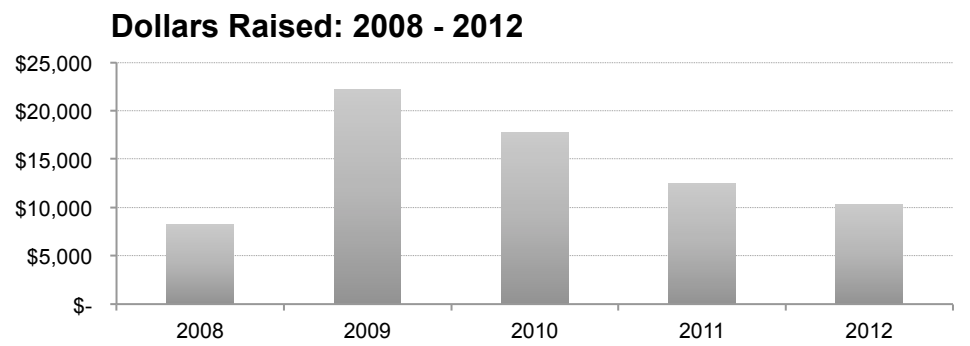


Average Deal Size: \$5m+



Note: The charts represent all deals in metals and mining opened on or after 1/1/2011 and closed by 31/3/2013. Average deal size listed in million-dollar units.

Deals by Offer Size



Note: The charts represent all deals in metals and mining opened on or after 1/1/2011 and closed by 31/3/2013. Dollars raised listed in million-dollar units. 2008-2012 money raised by all TSX & TSX-V mining companies.

The available money is flowing to companies with more advanced projects.

This year, investors need to see at least the following:

- Material ore bodies (in gold, over two million ounces)
- Resource statements (NI 43-101)
- PEA/economic studies

Pipeline for Exploration Stage Companies is Dry

\$800k raised was the average for small companies in Q1 2013.

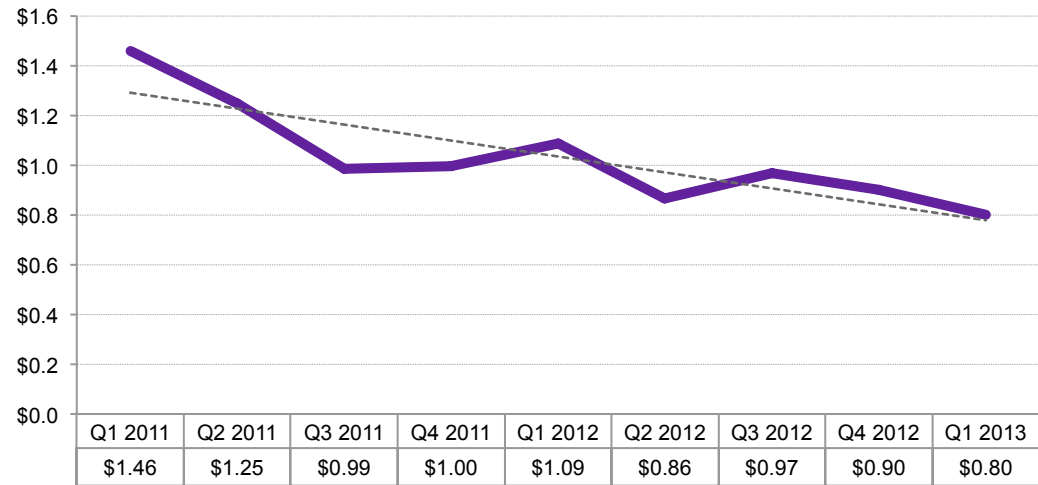
Unfortunately, that doesn't mean **\$800k** in the ground.

Who gets paid first:

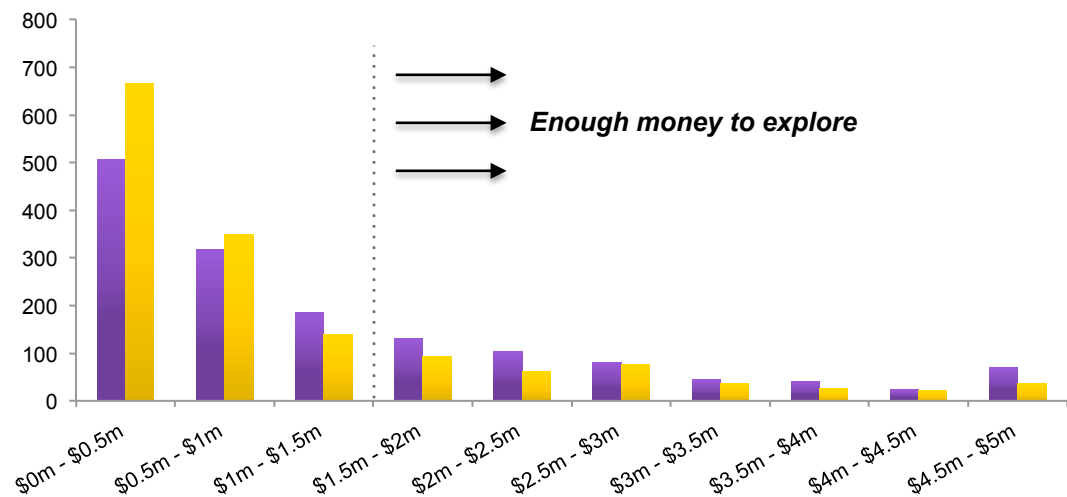
- 1) Government (Titles and taxes)
- 2) TSX/Exchange (Listing fees)
- 3) Bankers (They'll take their share)
- 4) Lawyers (\$450/hr adds up quick)
- 5) Auditors (One audit per year)
- 6) Office space (Office space is a 5-year lease)
- 7) IR teams (Have to spend money to raise money)
- 8) Management (You need to get paid for your work)
- 9) Exploration (How much did you say was left?)

The first eight items keep the lights on and are mandatory; the ninth is what drives growth, but is the first to shrink.

Average Deal Size: Sub-\$5m



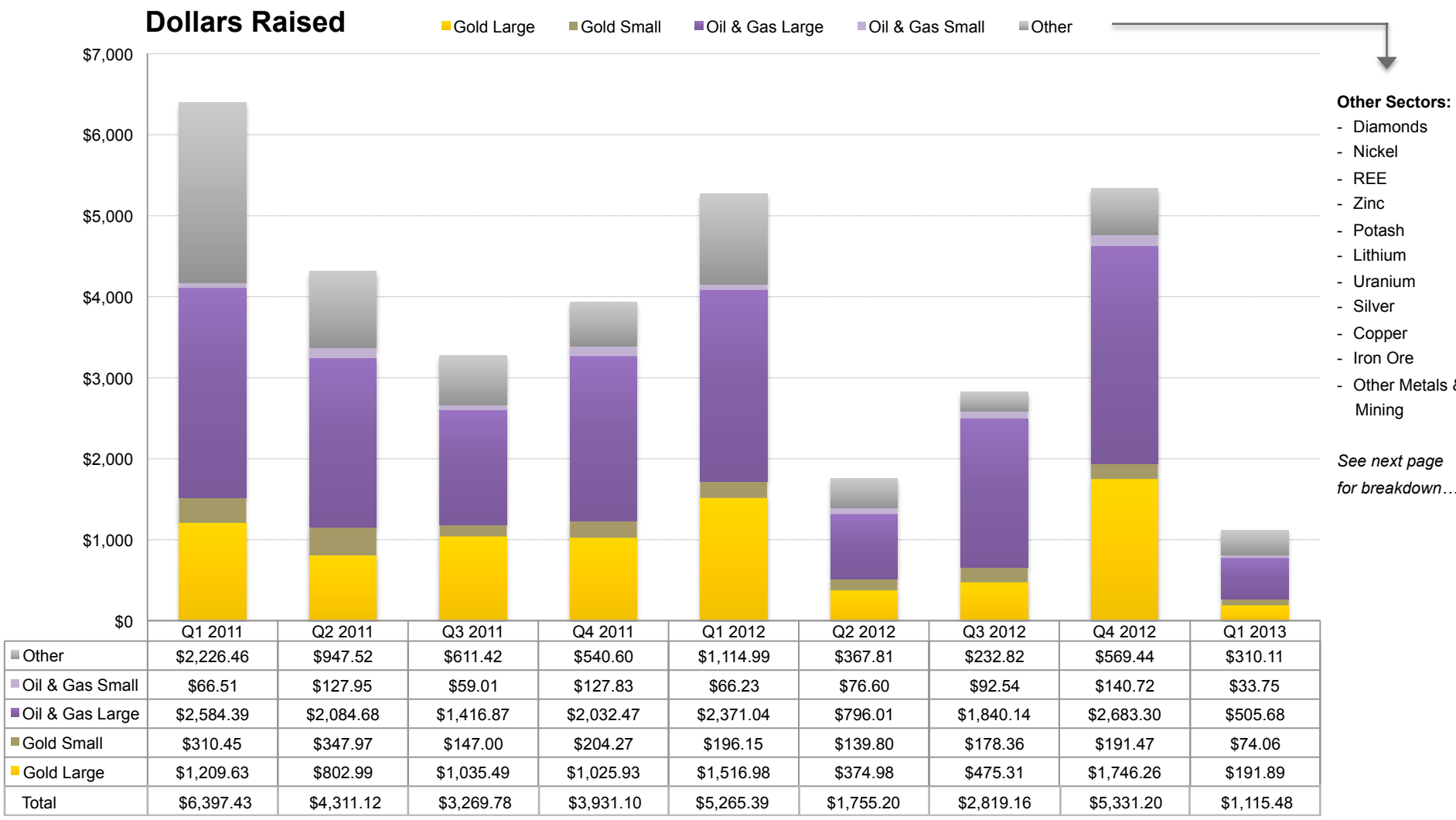
Number of Deals by Offer Size



Note: The charts represent all deals in metals and mining opened on or after 1/1/2011 and closed by 31/3/2013. Average deal size listed in million-dollar units.

Gold and Oil & Gas vs. "Other" Sectors

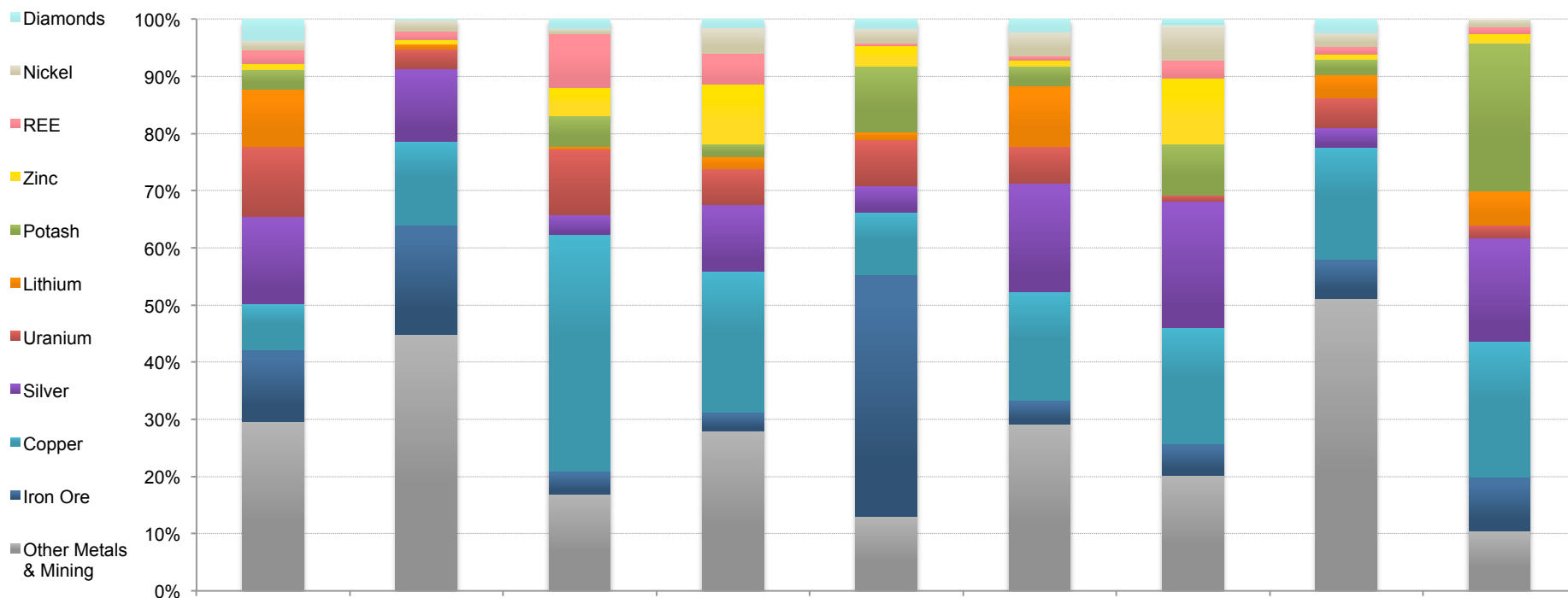
Large: +\$40m Market Cap
 Small: Sub-\$40m Market Cap



Note: The chart represents all deals in all natural resources sectors opened on or after 1/1/2011 and closed by 31/3/2013. Dollars raised listed in million-dollar units. Small gold includes companies with market caps below \$40 million. Large gold includes companies with market caps between \$40 million and \$1 billion.

“Other” Sector Breakdown

Other Sectors

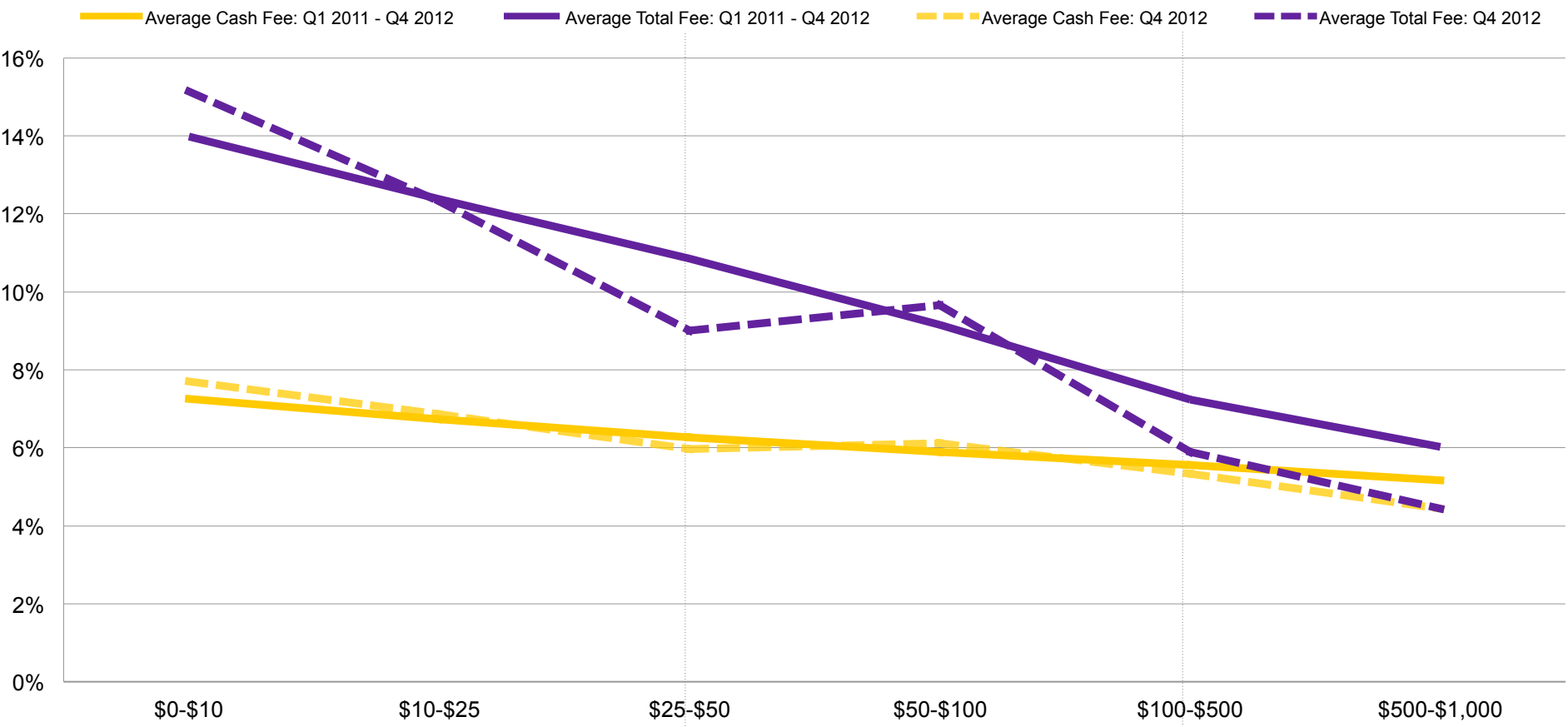


Sector	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Diamonds	\$82.10	\$2.10	\$9.96	\$8.31	\$18.39	\$8.10	\$2.63	\$13.69	\$0.00
Nickel	\$39.55	\$17.51	\$5.60	\$24.17	\$29.35	\$15.41	\$14.11	\$13.37	\$4.21
REE	\$51.74	\$15.10	\$57.74	\$28.78	\$4.33	\$2.71	\$7.25	\$7.64	\$3.62
Zinc	\$22.78	\$6.80	\$29.63	\$56.52	\$39.40	\$4.06	\$26.75	\$5.66	\$5.00
Potash	\$77.01	\$0.00	\$33.60	\$12.48	\$128.54	\$12.77	\$20.85	\$15.01	\$80.21
Lithium	\$224.60	\$7.63	\$2.43	\$11.40	\$14.91	\$38.90	\$0.20	\$22.79	\$18.50
Uranium	\$270.73	\$32.91	\$70.42	\$33.98	\$90.23	\$23.51	\$2.49	\$30.43	\$7.28
Silver	\$338.99	\$120.34	\$21.37	\$62.50	\$51.62	\$70.00	\$51.35	\$19.13	\$56.00
Copper	\$180.55	\$138.57	\$253.04	\$133.42	\$122.12	\$69.48	\$47.40	\$111.13	\$73.65
Iron Ore	\$279.45	\$181.95	\$24.32	\$18.11	\$470.23	\$15.88	\$12.83	\$39.41	\$29.26
Other Metals & Mining	\$658.94	\$424.62	\$103.31	\$150.93	\$145.87	\$106.98	\$46.96	\$291.18	\$32.39
Total	\$2,226.46	\$947.52	\$611.42	\$540.60	\$1,114.99	\$367.81	\$232.82	\$569.44	\$310.11

Note: The chart represents all deals in all natural resources sectors (other than gold and oil and gas) opened on or after 1/1/2011 and closed by 31/3/2013. Dollars raised listed in million-dollar units.

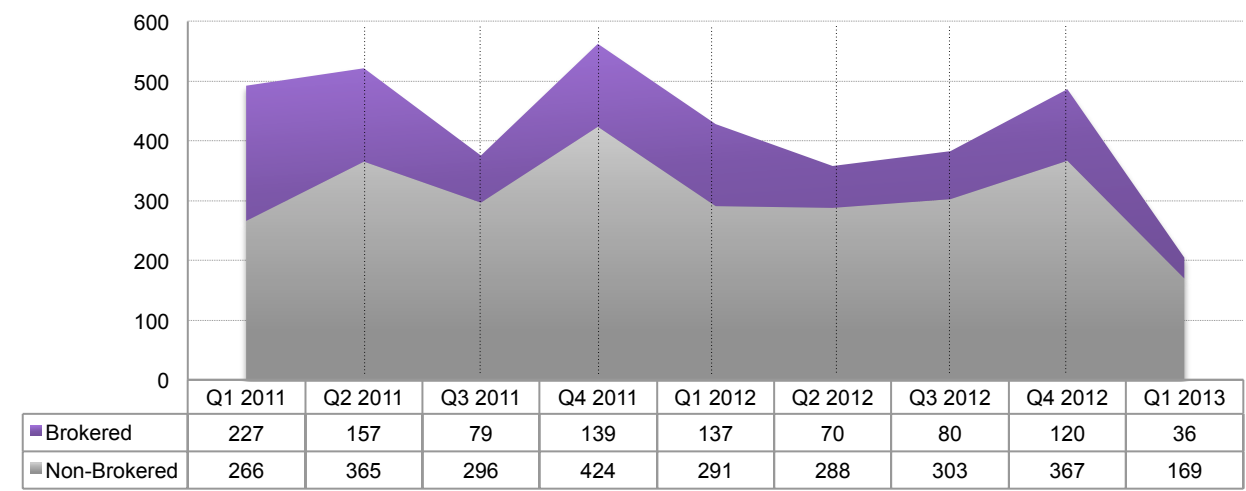
Q1 2011 - Q4 2012 —
Q4 2012 - - - - -

All Sectors Q1 2011 - Q4 2012 & Q4 2012: Brokered Fees by Company Market Cap



Note: The chart represents all deals in metals and mining opened on or after 1/1/2011 and closed by 31/3/2013. Market cap listed in million-dollar units.

Brokered vs. Non-Brokered Offerings

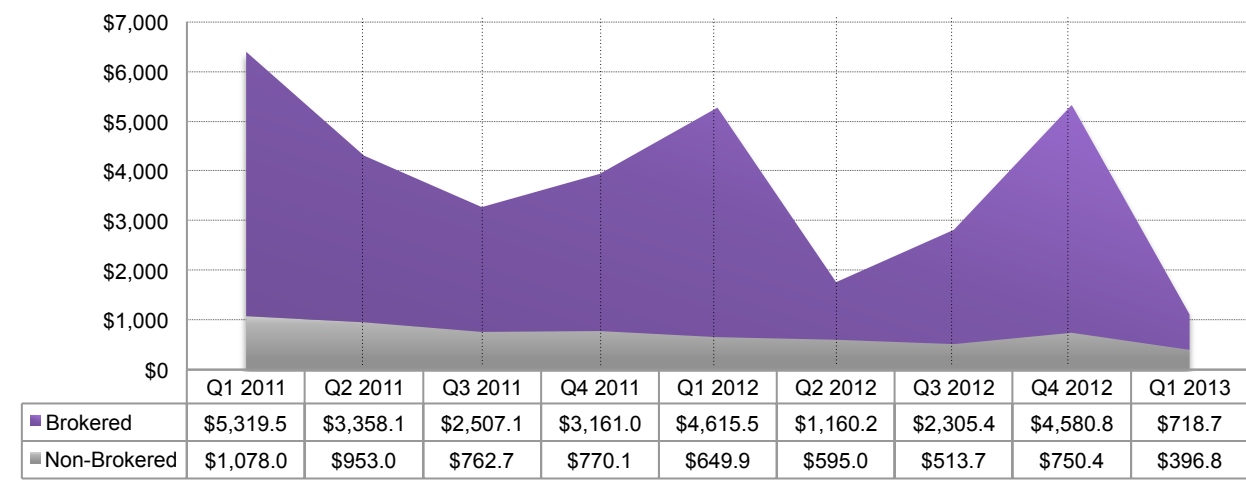


Bankers have either taken an extended vacation or just can't dial for dollars.

Many companies who could previously rely on broker-backed deals are now raising money for themselves.

Easy money is gone.

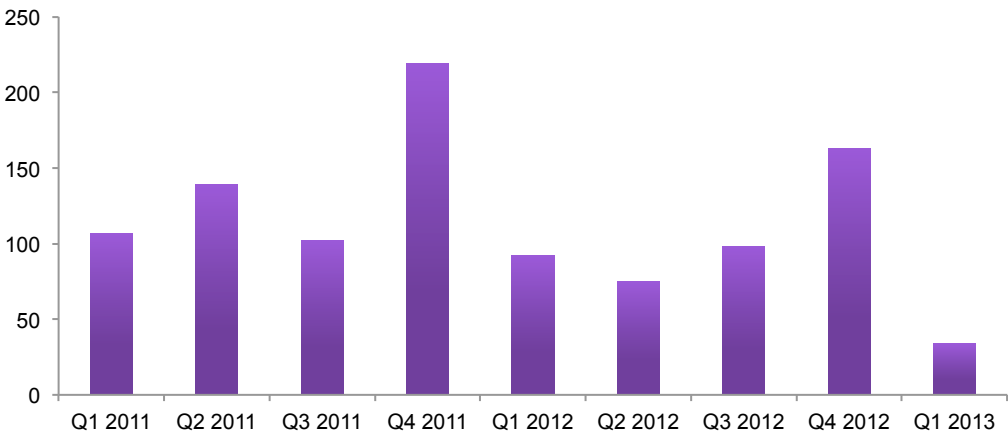
Brokered vs. Non-Brokered Dollars Raised



Note: The charts represent all deals in all natural resources sectors opened on or after 1/1/2011 and closed by 31/3/2013. Dollars raised listed in million-dollar units.

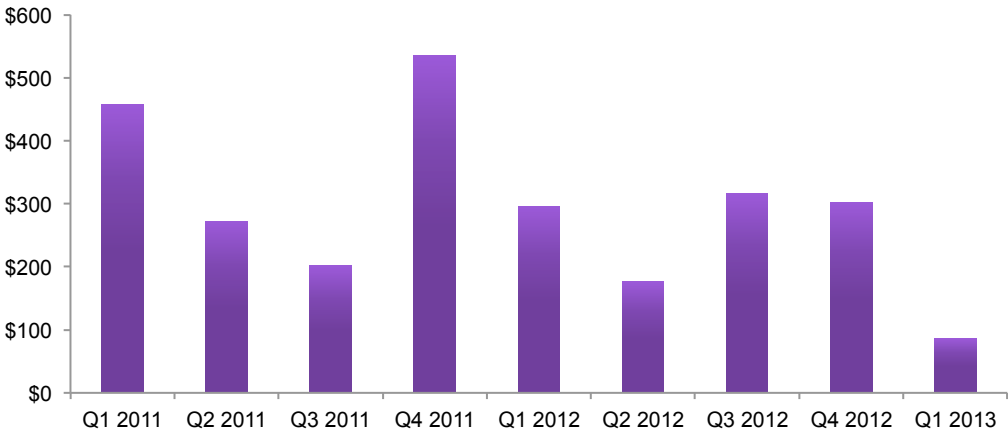
The total number of offerings and dollars raised is usually largest in Q4.

Number of Flow-Through Offerings by Quarter



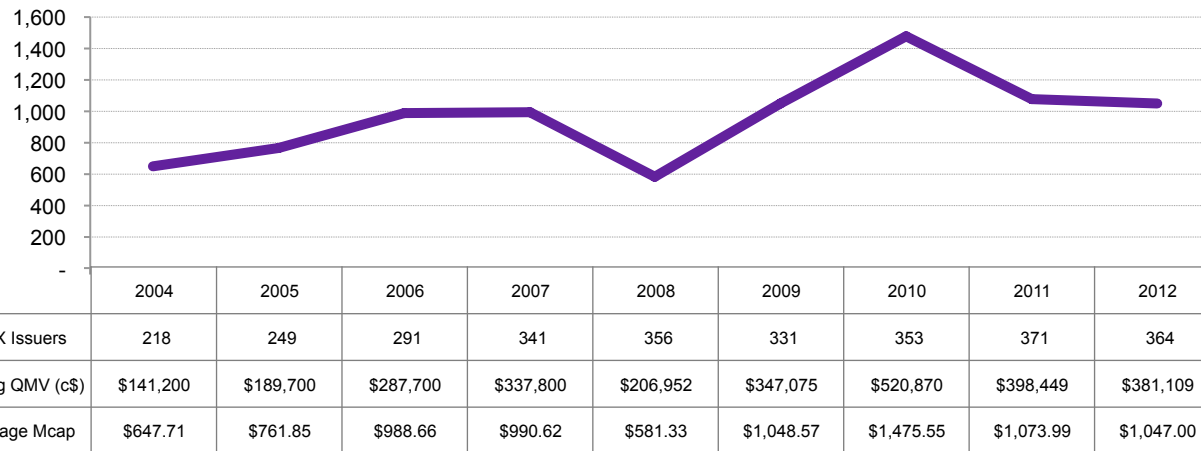
In 2012, Q4 had the most offerings. However, more flow-through was raised in Q3 2012. In addition, flow-through money raised in Q4 2012 was just over half what was raised in Q4 2011.

Flow-Through Dollars Raised by Quarter



Note: The charts represent all flow-through deals in metals and mining opened on or after 1/1/2011 and closed by 31/3/2013. Dollars raised listed in million-dollar units.

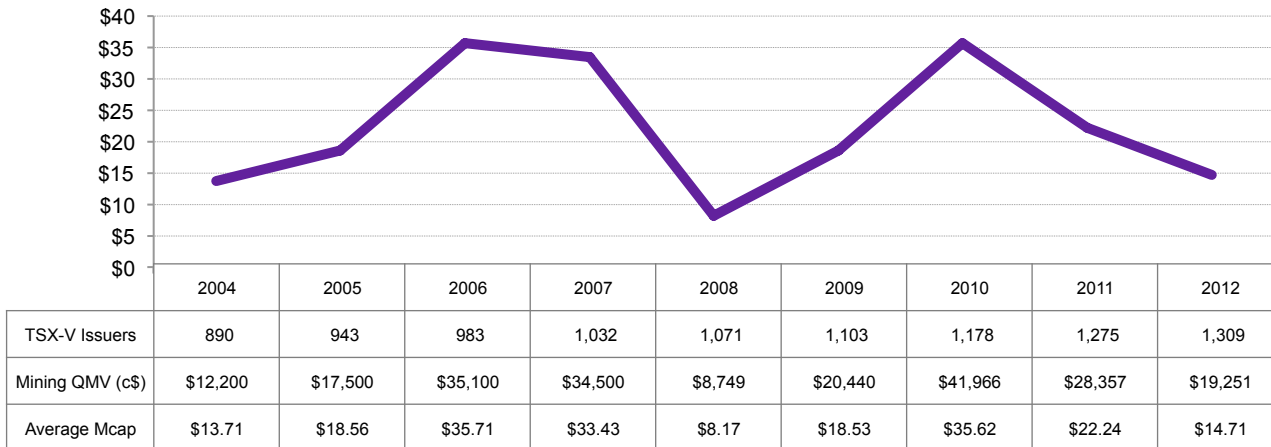
TSX Average Mcap (Mining)



Source: TMX Group

Even as the number of TSX mining issuers has increased, the total market value and average market cap have decreased since 2010.

TSX-V Average Mcap (Mining)



Source: TMX Group

This trend is exaggerated on the TSX-V. The average market cap of venture mining companies has fallen by 58% since 2010.

Note: Data provided by TMX Group. Charts represent market caps and issuer count of mining companies. Values from December 31st of listed year. Quoted market value and average market cap listed in million-dollar units.

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Everything is cheaper in a down market; the price premium between good and bad properties is smaller – if you have bad assets, drop them and find good ones.

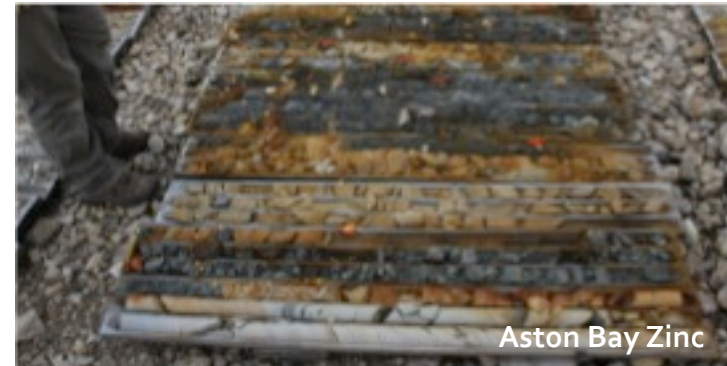
Review each property and ask, “If I were to walk today, would I re-stake it or do another deal to get it again?”

Sentimentalism is not a suggested investing strategy.

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- ✧ Many management teams have given up and are willing to do deals.
- ✧ Take advantage of cheap assets, but before you add to your plate, start by cleaning what you have.
- ✧ If you wouldn't buy it back, then what would you buy instead?
- ✧ You cannot afford to be sentimental in this market. There are better companies out there for less.

- Focus on a commodity that you like, understand, and in which you have faith.
- Quality commodities have:
 - Supply constraints
 - Inelastic demand
 - A lack of quality pipeline projects
 - A foreseeable shutdown in major mines
- Oreninc likes zinc, copper, coking coal, iron ore, and nickel



Transport/Location	Permitting
<ul style="list-style-type: none"> ✓ How will resource be hauled? ✓ Distance/cost of transport ✓ Port capacity ✓ Accessibility ✓ Country risk (e.g., border, regulatory) 	<ul style="list-style-type: none"> ✓ First Nations ✓ Bodies of water ✓ National forests ✓ Opponents of mine (i.e. Environmentalists, NIMBYism)
Infrastructure	Financials
<ul style="list-style-type: none"> ✓ Cost ✓ Shared infrastructure ✓ Power, water, labor ✓ Mill size/capacity ✓ Tailings/waste 	<ul style="list-style-type: none"> ✓ Capex/Opex ✓ Cash on hand, loans, debt ✓ Royalties/NSRs ✓ Market exposure
Resource	Partnerships
<ul style="list-style-type: none"> ✓ Grade/size ✓ Byproducts, impurities ✓ Shape of ore body/ease of mining ✓ Type of deposit ✓ Historical estimates 	<ul style="list-style-type: none"> ✓ Joint ventures ✓ Terms of partnership ✓ Major shareholders
Mine	Management
<ul style="list-style-type: none"> ✓ Development stage ✓ Open pit/underground ✓ Production/recovery rates 	<ul style="list-style-type: none"> ✓ Can they raise money? ✓ Industry experience/connections ✓ Delivers

Walk away if a 4- to 10-year-old company:

1. Lacks a material resource statement
2. Has repeatedly financed for under \$750k and has 100m+ shares outstanding
3. Has a flagship project that will not be economic without substantial market changes
4. Has management that has over-promised and under-delivered

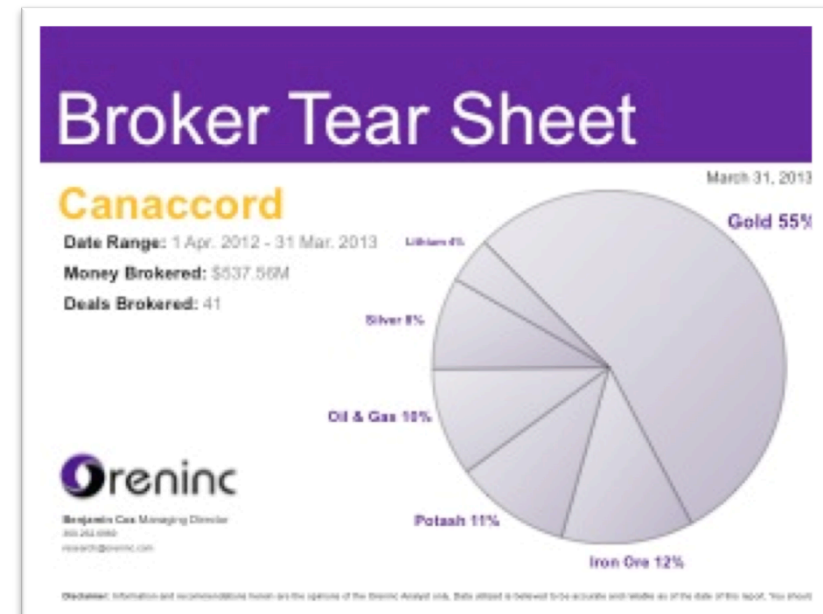
Sector Pulse Reports: Bi-monthly market analysis for 12 sectors

Broker Tear Sheets: Quarterly comparison of 30 brokerage houses

Get to know:

- **Commodities:** Are banks looking for deals in this commodity?
- **Companies:** Have they raised money successfully in the past?
- **Brokers:** Do their past deals result in long-term value for their clients?

Sponsorship opportunities: Distribution to 3,000+ subscribers consisting of high-ranking personnel from institutions, resource companies, investors, law firms, auditors, and investor relations companies



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Management service contracts vary from ongoing to intermittent. We are happy to review all custom research requests.

Custom Research

- Sector and region-specific reports
- Exchange comparison for public listing
- CPC evaluation and comparison
- Company assessments and project valuations
- Bespoke financing data

Management Services

- Due diligence and re-allocation of assets
- Company and project valuations
- Corporate restructuring (M&As, RTOs, JVs, QTs)
- Administrative services (major clients)
- Marketing and branding (major clients)

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General Disclaimer

This report is based on all representative data from 1/1/2011 through 31/3/2013, except as otherwise noted. Deal opening date determines listed quarter.

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