



# Precious Metals Report 2020

Everything you need to know about gold, silver, platinum and palladium!

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## Table of Contents

Disclaimer	02
Table of Contents   Imprint	07
Preface	09
<b>Precious metals defy Covid-19 pandemic – especially gold and silver are in demand in times of crisis!</b>	10
<b>Guest Article by Prof. Dr. Torsten Dennin</b> The fight against the Covid-19 pandemic is causing the national debt to explode. Global debt and the growing loss of confidence in the stability of the financial system are becoming an increasing problem. Why investors should consider precious metals in their long-term asset strategy.	23
<b>Interview with Prof. Dr. Torsten Dennin</b> Founder and CEO of Lynkeus Capital LLC	26
<b>Company profiles</b>	
Amex Exploration	32
Bluestone Resources	36
Caledonia Mining	40
Cardinal Resources	44
Condor Gold	48
Discovery Metals	52
Endeavour Silver	56
First Majestic Silver	60
GoldMining	64
MAG Silver	68
Osino Resources	72
Osisko Gold Royalties	76
Skeena Resources	80

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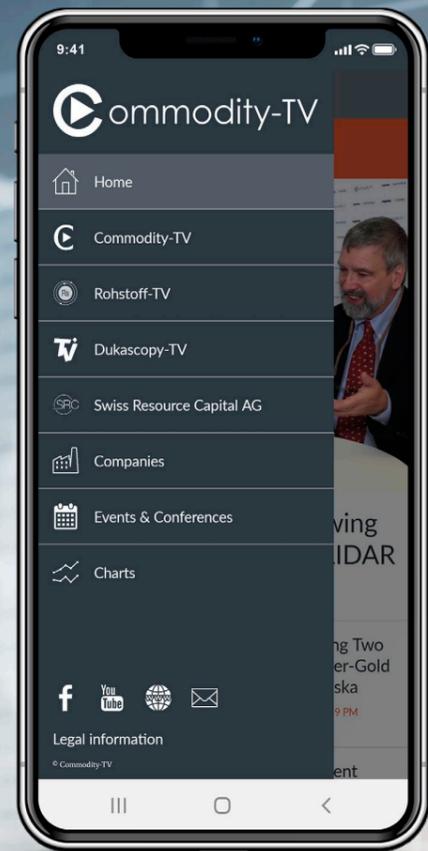
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## Preface

Dear Readers,

Now in its fifth year of publication, we are pleased to present you our special report on precious metals, which follows on from our successful Battery Metals and Uranium Reports. Precious metals have become indispensable for one's own (crisis) prevention and asset preservation. Not to be forgotten is the unconditional use of precious metals as a store of value and money substitute as well as a hedge for extremely bad times. Especially in today's corona virus madness, gold is indispensable to park cash sensibly. One has the feeling that people have given up their brains and are no longer thinking. The money-printing orgies of the central banks can no longer be stopped and with Christine Lagarde as successor to Mario Draghi things will be worse rather than better. The US Federal Reserve has already lowered interest rates further and the floodgates will be opened even wider in the wake of Corona. The 30-year US yields are now below 1%, this has never happened before! Whether there will be a financial collapse is as always questionable and controversial. However, the financial system has never been more questionable than today. A major problem will now be the accelerating default rates of overindebted US companies. Due to the drop in oil prices, the ailing fracking companies will now also be in default. The banks, which are under pressure anyway, are not happy about this. Please keep in mind that in case of emergency only 100,000 EUR are secured per institution! With gold and/or silver ounces you can survive many a storm to be able to provide yourself and your family with the most necessary food and preserve your wealth. But let's not assume the worst, but physical precious metals reassure me of the possible future dislocations. The gold price is solid at around \$1,650 an ounce and our next price target is around \$1,780 an ounce. Thereafter we are looking at \$2,030 and in the long term at \$2,350 an ounce for the next 3 years. We look positively into the future and take gold as a store of value and inflation protection. Mining companies have become even cheaper in addition to several good dividend standard stocks. Especi-

ally producers with dividends are now first choice and prospective precious metal producers have enormous leverage on the respective metal price. In this Precious Metals Report we present some interesting companies that are suitable for speculation on rising precious metal prices. We also want to give you the necessary basic knowledge by means of our general part, so that you can make your own decisions.

Our guest interview has it all again and should definitely be read.

Swiss Resource Capital AG has set itself the task of providing up-to-date and comprehensive information on a wide range of raw materials and mining companies to raw material investors, interested parties and those who would like to become such. On our website [www.resource-capital.ch](http://www.resource-capital.ch) you will find about 20 companies and a lot of information and articles about commodities.

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My team and I hope you enjoy reading the Special Precious Metals Report and that we can provide you with a lot of new information, impressions and ideas. Only those who inform themselves in many ways and take their investment matters into their own hands will be able to win and preserve their wealth in these difficult times. Precious metals have existed for thousands of years and will continue to do so.

Yours,  
Jochen Staiger



Jochen Staiger is founder and CEO of Swiss Resource Capital AG, located in Herisau, Switzerland. As chief-editor and founder of the first two resource IP-TV-channels Commodity-TV and its German counterpart Rohstoff-TV, he reports about companies, experts, fund managers and various themes around the international mining business and the correspondent metals.

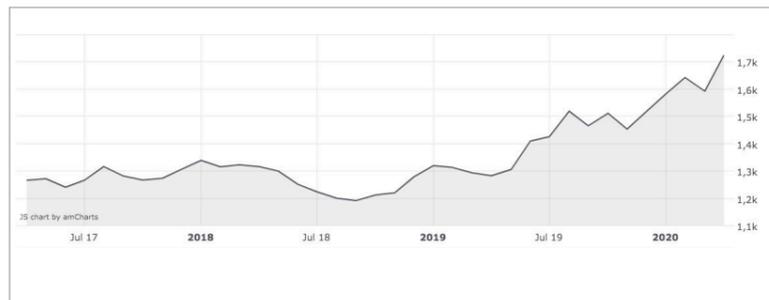


Tim Rödel is Manager Newsletter, Threads & Special Reports at SRC AG. He has been active in the commodities sector for more than twelve years and accompanied several editors-in-chief and editors-in-chief positions, e.g. at Rohstoff-Spiegel, Rohstoff-Woche, Rohstoffraketen, the publication Wahrer Wohlstand and First Mover. He owns an enormous commodity expertise and a wide-spread network within the whole resource sector.

# Precious metals defy Covid-19 pandemic – especially gold and silver are in demand in times of crisis!

Precious metal investors are still in the pole position, precious metals have so far been among the best performers of all asset classes through the Covid 19 crisis, also known as the Corona crisis.

The price of gold weakened only very briefly and by the editorial deadline of 20 April 2020 was able to catapult itself back to its pre-crisis level. Here it is mainly (impending) fiscal and geopolitical distortions and, associated with this, a certain desire for security that are keeping the price of the yellow metal at a consistently high level and are likely to push it even higher. In the vast majority of currencies, gold has recently traded at all-time highs. Only a still extremely strong US dollar is (still) preventing gold from reaching a new all-time high.



Gold price US\$/oz  
(Source: JS by amChart)

Palladium too, which in the past few months had been pushed up to new record highs of up to \$ 2,780 an ounce, mainly for speculative reasons, only had to take a short sinking feeling and recently was already trading above the \$ 2,000 mark again. Demand from the automobile sector (use in petrol catalysts) played a major role here.

The situation for platinum is contrary to this. The increasing discrediting of the diesel engine led to a decline in demand for platinum, which is used in diesel catalytic converters. However, there are signs of a renaissance here.

Silver, more than half of demand for which is an industrial metal, initially had to cope with large price losses but has already been able to recover. With a gold-silver ratio of 125, the end was near, especially as silver experien-

ced a great surge in demand from the investment sector. In the future, this is probably where the greatest opportunities for growth are to be expected, as silver is finding its way into more and more industrial applications. In addition to the energy sector, the pharmaceutical and medical sectors should be mentioned here.

The bird was taken by the lesser known rhodium, which within four years climbed from \$ 575 to \$ 11,500 an ounce.

In the following, this report will deal exclusively with the four most common precious metals gold, silver, platinum and palladium.

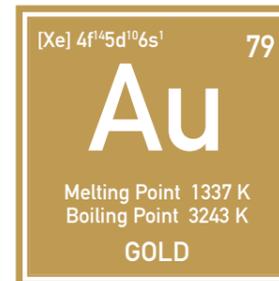
In doing so, we will mainly focus on the figures from 2019. Reliable forecasts regarding supply and demand can only be made with difficulty and with little seriousness for the current year 2020 due to the current Covid-19 situation, which is characterized by a decline in supply as a result of mine closures and simultaneous declines in demand, especially for the mainly industrial metals platinum, palladium and silver, which is why we want to focus on more medium to long-term prospects.

## What are precious metals?

From a purely chemical point of view, precious metals are metals that are resistant to corrosion, i.e. that are permanently chemically stable in a natural environment when exposed to air and water. The group of precious metals primarily includes gold and silver, as well as the so-called platinum metals platinum, palladium, ruthenium, rhodium, osmium and iridium. Mercury is also a precious metal. In addition, there are a number of so-called semi-precious metals, including copper. A third group is formed by the so-called short-lived radioactive precious metals, which, however, play virtually no role in practice.

## Gold: Value retention and inflation protection at the same time

Gold is a chemical element with the element symbol Au and the atomic number 79. It can be worked very well mechanically (moderate melting temperature) and does not corrode. It is not only rare, but also heavy and its yellow luster is durable, which is why it is considered to be imperishable and is therefore largely used for jewelry or in coin or bar form for storing value. Gold is also considered easy to alloy, which makes it very attractive as a material.



### Most important characteristics: Appearance, corrosion resistance, good processability, good contact

Not only in the form of jewellery or coins, but also in medical applications, gold scores points above all with its resistance to corrosion. For example, in dental prosthetics, where additional precious metals such as platinum are added due to the relatively high softness of gold. In industry, gold is mainly used in the construction of circuits as an additive (gold plating) to wires, printed circuit boards, switch contacts and connectors.

### Occurrence and extraction

Gold is very rare in nature. For example, in the earth's crust there are on average only 4 grams of gold per 1,000 tons of rock. In addition,

it occurs on earth predominantly in solid form, i.e. in elementary, metallic form. It can be found in primary raw material deposits as gold-bearing rock (gold ore) and in secondary deposits, including soap deposits. Up to 20% of the gold mined annually is extracted as a by-product, mainly from copper, nickel or other precious metal mines.

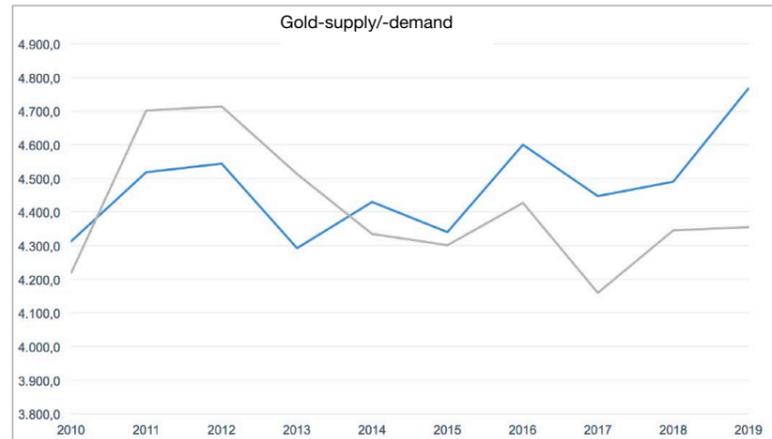
## Supply situation 2019

According to the World Gold Council, in 2019 a total of 3,463.7 tonnes of gold was extracted from mines and 1,304.1 tonnes were recovered from recycling. Thus, the total gold supply (including recycling) increased by about 82 tonnes to 4,767.8 tonnes compared to 2018.

The main gold mining areas are currently China, Australia, Russia, the USA and Canada, which together account for almost half of the total annual production. The former, until 2007 absolute leader in gold production, South Africa was only in ninth place in 2018. Other important gold producing nations are Peru, Indonesia, Ghana and Mexico, where gold is mainly mined as a by-product from silver mines.

### Gold production increases only marginally - gold peak reached?!

From the turn of the millennium until 2019 gold production was increasing every year, but recently it has been declining more and more. While in 2011, about 2,857 tons of the yellow metal were extracted from the earth worldwide, in 2015 the figure was 3,300 tons. Since then, production has increased only marginally to 3,398 tonnes in 2016 and 3,455 tonnes in 2017, and contrary to all predictions, gold production in 2018 increased



Gold-supply (blue) and -demand (grey)  
(Source: own representation)

again slightly to 3,510 tonnes. In 2019, production then fell to 3,463.7 tonnes, which could only be offset by an increased recycling rate.

It can now be assumed that the gold peak, i.e. the annual gold production has reached its peak for the time being.

### The reasons for declining gold production are manifold

Several factors contribute to this.

Firstly, more and more deposits are reaching the end of their life. Those that have not yet been fully exploited have to be expanded at ever greater expense in order to obtain further gold-bearing material. Some mines already reach depths of 4,000 metres and more.

The gold content continues to fall steadily. Currently, gold deposits are still being exploited at an average of just over 1 gram of gold per tonne of rock (g/t). However, in the case of deposits that have not yet been developed, there are already indications that this mark will fall to below 0.9g/t in a few years' time.

A third point is the (missing) discovery of new deposits. While more than a billion ounces of gold were discovered in the 1990s, only slightly more than 600 million ounces were discovered between 2000 and 2014. Since then, the new discoveries have collapsed once again. This is mainly due to the fact that in recent years gold producers have concentrated primarily on reducing mining prices due to the ongoing slump in gold prices. Par-

ticular savings have been made in exploration, which has meant that hardly any major deposits have been discovered in recent years.

Added to this is the current corona crisis, which has brought many mining activities worldwide to a standstill and will have a strong impact on gold production - at least in 2020.

## Demand situation

### Central banks are buying more gold than ever before

The whole thing is „tightened“ - albeit only marginally at present - by the central banks. After decades of gold sales, they have been back on the buyer side since 2010 and have recently even recorded record purchases. Thus, especially in 2018 and 2019, many central banks have increased their gold reserves. Above all Russia, but also Turkey, India, Poland, Egypt, Brazil and Kazakhstan have bought a lot of gold in 2018 and 2019. The central banks thus increased their gold reserves by 656.2 tonnes in 2018. This was 73% more than in 2017. In 2019 central bank purchases fell slightly to 650.3 tonnes. This meant that a large amount of the supply was taken off the market by the central banks alone, once again putting them on the demand rather than the supply side.

### Demand from the jewellery and investment sectors stable – technology sector is growing steadily

In 2019 there was worldwide demand for about 4,355 tonnes of gold. The lion's share was accounted for by the jewellery sector, which consumed 2,107 tonnes. In second place was the investment sector, which demanded about 1,272 tonnes (about 110 tonnes more than in 2018). Demand from the technology sector was strong, reaching 326.6 tonnes in 2019. This showed that gold is becoming increasingly popular not only for ap-

plications in smartphones or game consoles, but above all in the electromobility sector. In view of the incipient electric (mobility) revolution, this should lead to continued strong growth in demand from the technology sector in the future.

### Conclusion: Everything stands or falls with the investment sector – ETF inflows recently at record levels

Although it is the technology sector that is expected to generate the highest percentage growth in demand for gold in the coming years, everything stands or falls with the investment sector. Assuming that the jewellery industry will remain at the same level in terms of demand as in the past years, it is precisely the inflows into gold-deposited ETFs that have recorded a large surge in demand since the end of 2018 and therefore offer the greatest potential for demand growth. In 2019 alone, the global ETFs recorded an inflow of gold of over 660 tonnes! In the first quarter of 2020 a further 298 tonnes were added, the highest inflow since 2016 and even an all-time record for a quarter in US\$!

### Summary: Demand at record high – supplies faltering

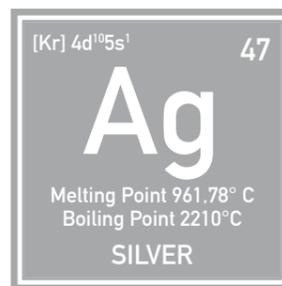
The supply side will be particularly exciting. A lack of supplies in the form of high-grade new discoveries as well as increasingly cost-intensive and difficult mining will probably lead not only to an imminent supply deficit but also to the need for a higher gold price in order to meet demand at all. Added to this - as already indicated - are production losses due to the current corona-induced shutdowns of many mines. A further catalyst for a further increase in the price of gold is the fact that several important smelters have currently (as of mid-April 2020) been closed down and therefore the further processing of gold into (smaller) bars is not guaranteed. This is particularly important in the case of physical delivery claims of COMEX contracts, as this could catch many sellers on the wrong foot, who would then have to cover at any price.



(Photo: Gold reserves of the Deutsche Bundesbank  
© Nils Thies, 2017, CC BY-NC-ND 2.0)

## Silver: New uses and an undervaluation against gold could soon lead to a price explosion

Silver is a chemical element with the element symbol Ag and the atomic number 47 and belongs to the so-called transition metals. It is a soft, easily malleable heavy metal with the highest electrical conductivity of all elements and the highest thermal conductivity of all metals. It is precisely these properties that make it an indispensable metal for industrial applications.



But silver is much more than that: unlike gold, it is consumed, with the sheer number of possible applications growing steadily with technical progress. In addition to be an industrial metal, silver is also a precious metal. Like gold, it is basically money and serves to maintain its value. It can also be seen as a kind of hedge against advancing inflation.

### Supply situation

#### Mexico, Peru and China are leading producing nations

According to „The Silver Institute“, global silver production in 2015 reached a record high of around 892.9 million ounces. In 2016, production declined for the first time in many years. In 2016, 892.3 million ounces of silver were extracted from the earth's crust. In 2017 there was even a real collapse to only 863.4

million ounces! In 2018 this trend continued: worldwide production was only 847.8 million ounces! In 2019 finally a further decline to 835.5 million ounces. With an annual production of 180 million ounces (equivalent to around 20% of the total worldwide production) Mexico takes first place among the producing nations, followed by Peru and China. These three countries are thus together responsible for about half of the global silver production.

#### Silver is above all one thing: by-product!

Only about 30% of annual production comes from pure silver mines or mines where silver is the primary raw material. In contrast, the majority (70%) comes from mines in which silver is only a by-product, i.e. primarily from zinc/lead mines, but also from copper and gold mines.

#### Weak base metal prices cause silver production to stagnate and overall supply to decline

This great dependence primarily on base metals such as lead, zinc and copper has recently led to weakening base metal prices and the associated closure of mines or at least a reduction in the corresponding base metal production also having a negative effect on the production of the by-product silver. Thus, price declines - above all for copper, but also for lead - in recent years ensured that silver production only increased marginally and has even been declining since 2016. In the coming years, silver production is expected to stagnate and, due to corona, even decline further, especially as the output of new mines will have difficulty compensating for the loss of zinc/lead mines. From today's point of view, silver production is expected to decline

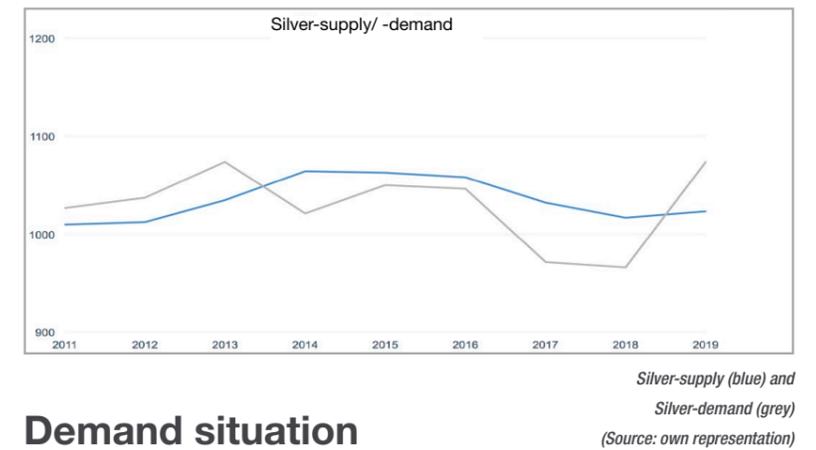
and the total silver supply (including recycling) is expected to decline. This is primarily due to the expected closure of several medium-sized to large zinc/lead mines and, furthermore, to a huge investment backlog that has accumulated in recent years due to the weak silver price development. Corresponding silver projects have been put on hold and only poorly developed. As a result, these projects are likely to be brought into production only after a long delay. In addition, recycling has been declining since 2011 and in 2019 was only about 170 million ounces - compared to 233 million ounces in 2011.

#### Silver companies set the priorities on cost savings

The development of the mine pipeline also stalled in the past years with weak silver prices because the silver companies had to deal primarily with getting their cost structure under control. The high silver prices, primarily in the years 2010 to 2012, ensured that mines were also put into operation that had all-in costs of over US\$ 20 an ounce. These quickly became unprofitable after 2012. Instead of closing them, however, the companies have been trying to keep costs down ever since. There was little time and even less money left for expensive exploration and development programs. In the meantime, the vast majority of companies have been able to reduce their costs to a tolerable and, for the most part, profitable level.

#### Recycling and central bank sales should not contribute to an increase in supply

A further decline in supply is also to be expected in silver recycling. Sales by the central banks have hardly played a role since 2011 and should not lead to a significant increase in silver supply in the coming years either.



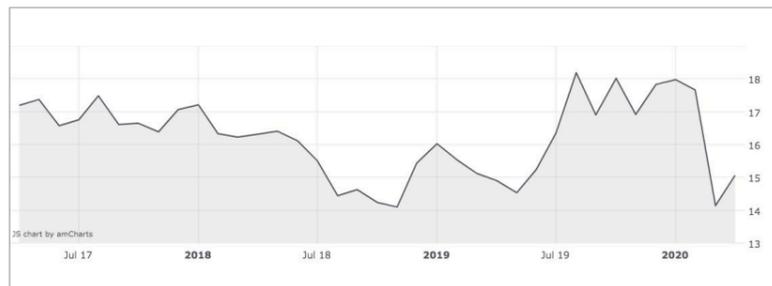
### Demand situation

#### Silver with hermaphroditic function

While gold is mainly used as an investment, to maintain value and in the form of jewellery (less than 10% of annual demand comes from industry), silver has a kind of hermaphroditic function. This means that recently about 56% of the total demand for silver came from industry, while the rest was mainly demanded by investors in the form of bars and coins and by the jewellery industry.

#### Main fields of application: Electronics, alloys, photography, photovoltaics, pharmaceuticals/ medicine

Its peak values for important properties (highest electrical conductivity of all metals, high thermal conductivity and pronounced optical reflectivity) make silver indispensable, especially in the fields of electrics, electronics and optics or photography. These areas also account for a good half of the total industrial demand of around 544 million ounces. In addition, there are applications as silver alloys (with copper, zinc, tin, nickel, indium), which are used in electrical engineering and soldering technology as solder alloys (so-called brazing), contact materials (especially in relays) and conductive material (for example as capacitor coatings). Since 2011, the photovoltaic sector has also been playing an important role in the demand for silver. This has



Silver price US\$/oz  
(Source: JS by amChart)

stabilised in recent years at a demand of around 100 million ounces per year. China, in particular, wants to strongly expand the share of photovoltaic capacity. The Middle Kingdom alone wants to achieve 120 gigawatts of cumulative photovoltaic capacity by 2021. This means that more and more silver will be bound in corresponding solar modules for at least 20 years! In future, the pharmaceutical and medical sectors in particular are likely to trigger a further, greater surge in demand. Since silver has an antibacterial and - currently particularly important - antiviral effect, it is already regarded as a possible salutary agent in medical and pharmacological applications.

### Physical demand recently higher again

Physical silver demand reached a record high of around 1.0735 billion ounces in 2013 and fell from an extremely high level to around 966 million ounces by 2018. In 2019, silver demand rose again significantly to 1.0735 billion ounces, to the old record level, mainly due to a revived investment sector. Thus, demand for coins and bars increased by 20.4 million ounces to 186.1 million ounces from 2018 to 2019. In contrast, the global silver ETPs, which still had to cope with outflows of 22.3 million ounces in 2018, recorded a net inflow of 81.7 million ounces in 2019. This trend appears to continue in 2020. Silver ETPs recorded an inflow of over 70.5 million ounces in the first three and a half months of 2020 alone! Demand from the jewellery sector fell minimally from 2018 to 2019 by 1.8 to 201.3 million ounces, while demand for other silverware fell by 5.6 to 59.8 million ounces.

### Summary: Supply deficit again, great potential to catch up with gold

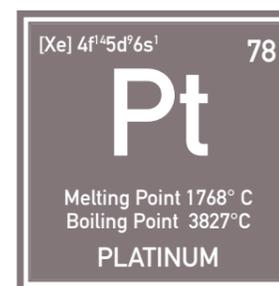
In the silver sector there was for years a slight overnight supply that turned back into a saturated supply deficit of 50.4 million ounces in 2019. All in all, despite the corona crisis, global demand for silver should rise again in the coming years. In addition to expected rising ETP inflows and further physical demand, a partly drastic increase in demand is expected from the jewellery industry as well as from several industrial sectors such as photovoltaics, touch screens and displays, but especially also from the medical and pharmaceutical sectors. On the supply side, the same applies as for gold: Most primary silver producers have concentrated primarily on reducing mining prices in recent years due to a persistent slump in silver prices. Particular savings were made in exploration, which has led to the fact that in recent years virtually no major deposits have been discovered. And price weaknesses in several base metals also meant that the development of mines that extract silver as a by-product was initially put on hold. There is also an enormous potential to catch up with gold, which is reflected in a record gold-silver ratio of over 110.



Like gold, silver is in principle money and serves to maintain value and protect against inflation.  
(Source: Mijatovic@shutterstock.com)

## Platinum: Irreplaceable in the industry, the next upswing is in sight

Platinum is considered by investors to be an absolute rarity and at the same time extremely mysterious. Viewed in a purely sober way, platinum is a chemical element with the element symbol Pt and the atomic number 78.



### Most important properties: Forgeable, ductile, corrosion resistant

It has an extremely high density and at the same time is very easy to forge and stretch. Its grey-white colour has always fascinated people, probably also because platinum has a remarkable resistance to corrosion and therefore does not tarnish. Due to its high durability, tarnish resistance and rarity, platinum is therefore particularly suitable for the manufacture of high-quality jewellery.

### Almost infinite possibilities of use

Platinum finds its way into a whole range of different applications. By far the most common use of platinum is in the automotive industry, where it is used in the form of automotive catalytic converters. In addition to the classic diesel oxidation catalysts, platinum is also increasingly being used in catalysts in fuel cells, which could be an enormous demand driver in the future. The second major area of application in industry is the chemical

sector. Platinum is also used in alloys, for glass production (melting crucibles), in the electrical sector in resistors and for medical applications and equipment. Another large field of application is the jewellery industry, where platinum is often alloyed with other metals, mainly gold. The fourth large area is the investment sector.

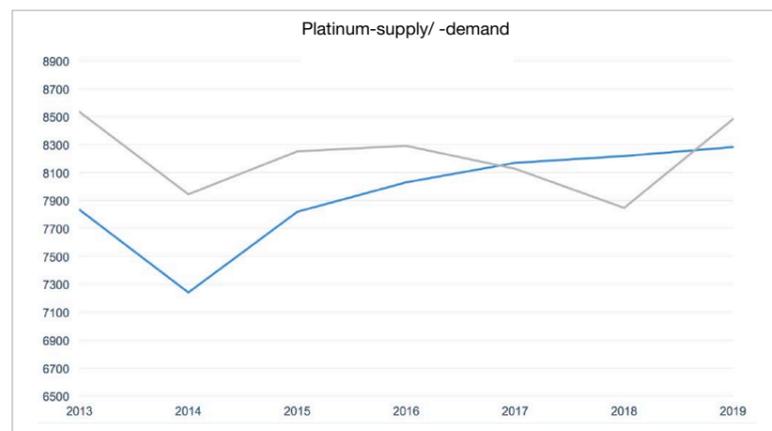
### Occurrence and extraction

Platinum is found in solid form, i.e. in elementary form in nature. Metallic platinum (platinum soaps) is practically no longer mined today. Although a large proportion of the platinum mined is extracted from primary deposits in a few places, extraction is becoming increasingly important as a by-product in the production of non-ferrous metals (copper and nickel). This is where the platinum group metals are produced as a by-product of nickel refining.

## Supply situation

### South Africa, Zimbabwe, the USA and Russia are the leading producing nations

Extensive and noteworthy primary platinum mining is only found in the South African Bushveld Complex, the Stillwater Complex in Montana/USA and in Russia. Over 73% of the platinum mined worldwide in 2019 came from South African mines. This was followed by Russia with about 10.8%, Zimbabwe with 7% and North America with 6%. All in all, platinum mining is a relatively small sector, as only around 6.02 million ounces were mined in 2019, for example.



Platinum-supply (blue)  
and -demand (grey)  
(Source: own representation)

### High recycling rate

Although a certain amount of gold and silver is also returned to the cycle through recycling, recycling accounts for a very high percentage of platinum. In 2019, for example, approximately 2.26 million ounces were recovered from recycling. Recycling thus accounted for 27.3% of the total platinum supply for the year.

### Supply stagnates

All in all the global platinum supply has stagnated in recent years. While in 2013 about 7.8 million ounces of platinum were available (of which about 5.8 million ounces from mining and just under 2 million ounces from recycling), in 2018 about 8.2 million ounces of platinum reached the free market (mining: 6.1 million ounces, recycling: 2.1 million ounces). In 2019 the platinum supply increased again, but only marginally to 8.28 million ounces (mining: 6.02 million ounces, recycling: 2.26 million ounces). An increase in platinum production is currently not in sight, as especially in South Africa platinum extraction has to be carried out at ever lower and thus more expensive rates.

## Demand situation

### Platinum has a hermaphroditic function

Like silver, platinum has a kind of hermaphroditic function. This means that about two thirds of the total platinum demand comes from the industry, while the rest comes mainly from the jewellery industry and from investors in the form of bars and coins.

### Main demand: automotive industry and jewellery production - investment demand explodes!

Expressed in figures, it is the automobile sector that in 2019 has been most in demand for platinum. 2.91 million ounces were mainly used for catalytic converters. The jewellery industry demanded 2.08 million ounces of the supply (including recycling). Demand from the rest of the industry reached 2.36 million ounces. The investment sector, which slumped from 361,000 ounces in 2017 to only 67,000 ounces in 2018, experienced a true renaissance in 2019 and recorded a real explosion in demand to 1.13 million ounces. In total, platinum demand rose from 2018 to 2019 by almost 700,000 ounces to 8.48 million ounces.

### Hydrogen storage technologies as future demand drivers

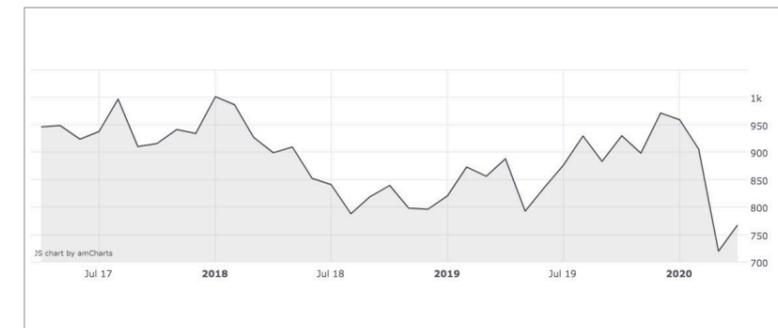
In South Africa, research is already being conducted on innovative hydrogen storage technologies. Power generation with platinum catalysts is the major topic here. Low-cost hydrogen storage systems for fuel cell vehicles and portable applications are still dreams of the future, but China alone plans to produce two million hydrogen fuel cell vehicles by 2030. In Germany, the world's first hydrogen fuel cell train has just been put into operation. A major platinum company is already investing in the development of hydrogen compression technology together with

Shell Technology. As the name suggests, these so-called platinum electric vehicles need platinum as their basic raw material.

### Industrial demand stagnates, jewellery demand declines, investment demand explodes – current supply deficit

Four things are particularly striking in the platinum sector.

- ▶ Firstly, demand from industry is stagnating. While demand from the automotive and industrial sectors still stood at 4.827 million ounces in 2014, this figure had risen to 5.46 million ounces by 2018. In 2019 it fell slightly to 5,271 million ounces.
- ▶ Secondly, demand is declining in the jewellery sector. In 2014 jewellery manufacturers were still demanding 2.839 million ounces of platinum. In 2018, by contrast, there was only 2.261 million ounces and in 2019 only 2.08 million ounces.
- ▶ Thirdly, demand from the investment sector, i.e. in the form of bars and coins for investment purposes, has fluctuated strongly, but has recently risen sharply overall. In 2014, 277,000 ounces were therefore in demand for investment purposes. In 2015 it was 451,000 ounces, in 2016 620,000 ounces. From 2017 the big slump then followed, when only 361,000 ounces and finally only 67,000 ounces were in demand in 2018. In 2019 there was a surge in demand to 1.13 million ounces.
- ▶ Fourthly: While until 2016 including recycling there was a supply deficit of just under 262,000 ounces, this turned into a supply surplus of 194,000 ounces in 2017. In 2018 even 420,000 ounces of platinum were offered more than demand. In 2019 the whole thing turned back into a supply deficit of 203,000 ounces, mainly caused by the investment sector. The pure platinum production of 6.02 million ounces in 2019 can certainly not keep up with the demand of around 8.48 million ounces. The difference must be compensated by the recycling sector.



Platinum price US\$/oz  
(Source: JS by amChart)

### Summary: The key lies in recycling, investment demand and car manufacturers – investment sector with much better prospects

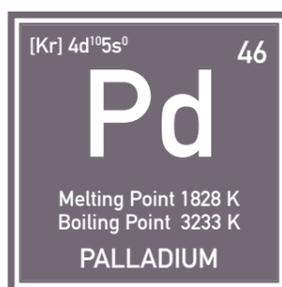
Platinum demand can therefore only be met because of the very large share of platinum recycling in the total supply. The recycling rate has recently risen again somewhat and could accelerate again in view of the millions of diesel cars ready for scrapping. If the fuel cell becomes established in automobile construction alongside the purely electric car, demand from there is likely to increase. Much stands and falls with the investment sector, which should return to its former strength, also due to the current low platinum price.



In 2019 2.91 million ounces were mainly used for catalytic converters.  
(Source: corlafr@Shutterstock)

## Palladium: Precious metal of the hour!

Palladium is primarily a chemical element with the element symbol Pd and atomic number 46, and many experts consider it to be a substitute for platinum in several applications, mainly in the manufacture of catalysts, as its chemical behaviour is very similar to that of platinum.



### Most important characteristics: Low melting point, reactive, absorbent

Palladium has the lowest melting point among the platinum metals and is also the most reactive. At room temperature it does not react with oxygen. It retains its metallic lustre in air and does not tarnish, which makes it interesting for the jewellery and, to a lesser extent, investment sectors. Its low melting point makes it easier to process than platinum. Palladium also has the highest absorption capacity of all elements for hydrogen. At room temperature it can bind up to 3,000 times its own volume.

### Most important applications: exhaust gas catalysts, alloys, electrode materials

Finely dispersed palladium is an excellent catalyst for accelerating chemical reactions, especially for the addition and elimination of hydrogen and for cracking hydrocarbons. By far the most important application for palladium is therefore in the field of exhaust gas catalysts for gasoline engines. About 84% of

the palladium in demand in 2019 was needed for catalyst construction. Palladium is also frequently used for alloys in the jewellery sector, especially in combination with gold, from which so-called white gold is produced. Palladium removes the gold-yellow colour from the entire alloy. Palladium is also used as electrode material for fuel cells and as contact material for relays.

### Occurrence and extraction

Metallic palladium and palladium-containing alloys are mainly found in river sediments as geological soaps, but they are largely exploited. Today, most of them are extracted as by-products from nickel and copper mines.

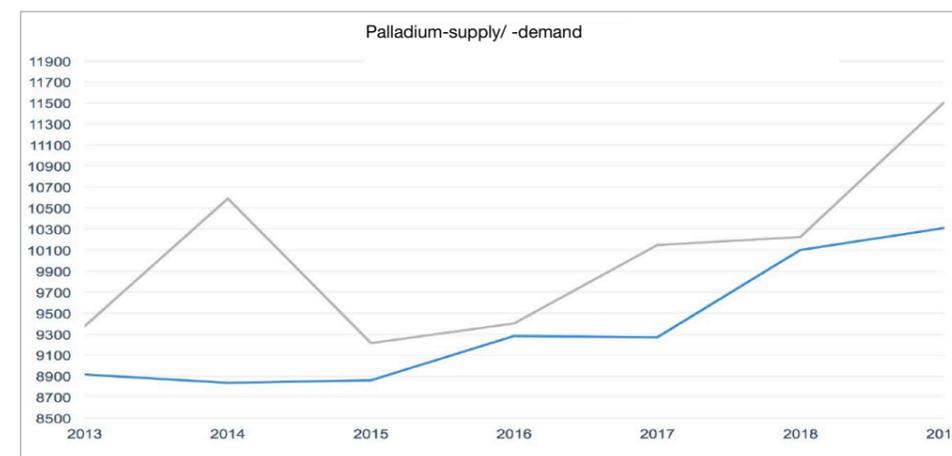
## Supply situation

### South Africa and Russia dominate palladium production

South Africa and Russia have emerged in recent years as the clearly dominant palladium producing nations. In 2019 Russia accounted for 40.6% of total production. Closely followed by South Africa with 38.4%. The remaining palladium production was largely divided between the USA and Canada. Only 8% of the palladium produced worldwide came from other countries. All in all, platinum mining is a relatively small sector, as only around 6.9 million ounces are produced per year.

### High recycling rate

Similar to platinum, a high recycling rate for palladium contributes to the fact that demand can (almost) be met. In 2019 a total of 3.42 million ounces of palladium were recycled. This was 33.1% of the total palladium supply.



Palladium-supply (blue) and -demand (grey).  
(Source: own presentation)

### Offer stagnating

Palladium supply has been stagnant over the past three years, mainly due to two key factors.

First, the increasing recycling. From 2015 to 2016 this rose by around 89,000 ounces and from 2016 to 2017 by a whopping 371,000 ounces to 2.86 million ounces. In 2018, over 3 million ounces were recycled for the first time, exactly 3.121 million ounces. In 2019 finally 3.416 million ounces.

Second, the reflows from the investment sector, mainly from corresponding palladium backed ETFs, which however recently declined significantly. Thus 659,000 ounces of palladium returned to the free market in 2015, 646,000 ounces in 2016, 386,000 ounces in 2017 and around 574,000 ounces in 2018. In 2019 the net reflows amounted to only 57,000 ounces.

As a result, the total palladium supply (including recycling) increased from 9.214 million ounces in 2015 to 11.502 million ounces in 2019.

As with platinum, palladium is also expected to see an increase in the recycling rate in recent years, but at the same time production will tend to decline.

## Demand situation

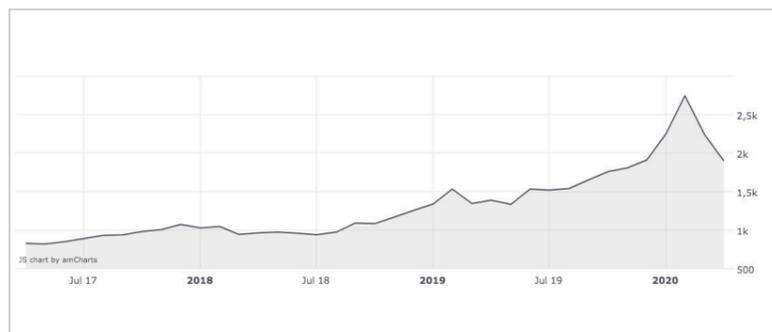
### Huge supply shortfall in 2019

In contrast to platinum, however, the palladium market has for years been suffering from a significant supply deficit, which in 2017 was around 751,000 ounces and in 2018 around 77,000 ounces. In 2019 this jumped to around 1.2 million ounces.

### Car manufacturers demand more and more palladium – investment sector no longer so weak

The main reason for this is the strong increase in demand from the automotive sector. Whereas in 2015 there was still a demand for 7.7 million ounces of palladium, mainly for use in catalytic converters, in 2016 there was already 7.98 million ounces, in 2017 even 8.46 million ounces and in 2018 8.78 million ounces. In 2019 there was finally a further leap by almost 900,000 ounces to 9.68 million ounces. To what extent this trend will continue remains to be seen. If the demand for gasoline engines declines, palladium demand will also fall, however. This could possibly be offset by the use in fuel cell powered vehicles, but these are still dreams of the future. The second major customer, industry, has recently remained stable at around 1.74 million ounces. The jewellery industry plays hardly any role with a demand around 140,000 ounces per

year. The investment sector has not been quite so weak lately and will probably continue to be a supplier rather than a buyer of palladium in 2020.



Palladium price US\$/oz  
(Source: JS by amChart)

### Summary: Much depends on the price

But this is probably mainly because the palladium price has recently been able to increase strongly. This price has meanwhile quintupled within four years from the beginning of 2016. As a result of the higher palladium price, many investors reduced or liquidated their ETF holdings and realised gains. At the same time palladium is becoming increasingly unattractive as a substitute for platinum, which is now much cheaper. Nevertheless, there is still a clear supply shortfall. The extent to which this will continue or disappear in the coming years depends not only on the palladium price, but also on how the petrol (combustion) engine will continue to develop. Palladium's dependence on the automobile industry is unmistakably high, which makes it a riskier investment than silver, for example.

### Conclusion: Uncertainty factor corona

In conclusion, one thing can be clearly stated: For all precious metals considered, except gold, there was a supply deficit in 2019, i.e. there was more demand than was available through mining extraction and recycling. To derive a forecast for the current year 2020 from this would be highly dubious, as

the existing corona crisis, above all, does not allow reliable statements to be made for the coming months. In the medium to long term, there is (further) catch-up potential, especially for gold and silver. In the case of gold above all because of its value retention, with simultaneous devaluation of almost all fiat currencies, caused by ever new crisis programmes, driving debt and the corresponding loss in value of fiat money. The same applies to silver in a weakened form, whereby the metal has an uncanny potential to catch up with gold and in future it will find its way into more and more industrial applications. In the case of platinum and palladium, everything stands and falls primarily with the automobile industry and, in connection with this, the electrical revolution in this sector. If the electric car is merely a bridging technology to the fuel cell or hydrogen drive, then both metals should continue to perform positively in the future.

### The best precious metal stocks promise multiplication potential!

Especially gold and silver, but also palladium, have already turned the corner and are riding the wave of success. Corresponding stocks, on the other hand, are still strongly undervalued compared to the large (standard) indices. We have taken this as an opportunity to present some promising precious metal companies to you in the following. We concentrate primarily on development companies with extremely promising projects and on mining companies already in production with established and profitable deposits.



(Source: corlaffra@shutterstock.com)

## The fight against the Covid-19 pandemic is causing the national debt to explode. Why investors should consider precious metals in their long-term asset strategy.

**Every quarter the global debt of states, companies and households grows more than the entire physical gold market is worth. Central banks' balance sheets continue to grow and the delicate upward trend in international interest rates has been stalled - in the long term an explosive mix for the global financial system. In addition, there is a new spending policy, based on corona and climate protection. In this environment, investors should continue to rely on precious metals such as gold, silver, platinum and palladium in their strategic asset allocation.**

### It's been almost 50 years.

The collapse of the Bretton Woods system in 1971 initiated one of the greatest economic experiments in world history: Currencies that were no longer tied to a reserve currency or material values such as gold or silver - the system of flexible exchange rates was born and the principle of incurring debt without consequences became viable.

### Debt is rising faster than the economy is growing. Money devalues.

From 1970 to the present day, global economic power, measured by global GDP (the value of all products and services produced in one year), has risen to over 85 trillion US dollars. Over the same period, however, the debts of private individuals, companies and states have grown disproportionately: together they reach almost USD 260 trillion, which corresponds to a global debt ratio of more than 300%. The International Monetary Fund (IMF) warned as early as 2018: the mountain of debt is now greater than at the height of the financial crisis in 2008, despite the debt brake, the fiscal pact and the American debt ceiling. In January 2020, the US government debt alone

exceeded the USD 23 trillion mark - and the trend is rising, as debt capping is suspended for the time being. This poses new risks for the global financial system.

Looking back on the last few years, this also means that not only has ever weaker growth been financed with ever more debt, but all currencies have suffered a massive loss of purchasing power. Even the mighty US dollar today has only a fraction of its original purchasing power of 1971 - we are talking about a loss in value of 80%! More precisely: 100 US dollars in 1971 had roughly the same purchasing power as 620 US dollars today. During the same period, by the way, the D-Mark and then the Euro lost slightly more than 60% of their value<sup>1</sup>.

### Debt is rising, thanks to a zero-interest policy.

Despite a historically low interest rate level, even Germany, the schoolmaster of Europe, is only just managing to achieve a black zero in budgetary policy. This means that no new debts are taken on, but also no debts are reduced. On the other hand, the calls to even extend the debt in order to finance more education or to save the climate are getting louder all the time. In the US, on the other hand, tax reform and the current budget are likely to increase an already gigantic debt by another trillion US dollars a year over the next three years. The fight against the corona virus has joined the battle for the climate and is seen as the creation of new government debt and stimuli, such as the helicopter money in Hong Kong recently.

### What happens if...? Negative effects of rising interest rates.

What happens now in an environment of rising interest rates? The first consequence is an increase in debt service. Public spending falls,



Guest Article by  
Prof. Dr. Torsten Dennin

Dr. Torsten Dennin has over 15 years of professional investment experience. He is head of asset management at Asset Management Switzerland AG and founder and managing director of Lynkeus Capital, a Swiss investment company specialising in commodities.

Dr. Dennin is Professor of Economics at EBC University, Düsseldorf, and a full member of the Berlin Institute of Finance, Innovation and Digitalization. He also lectures regularly at the Dualen-Hochschule Baden-Württemberg (DHBW) in Germany. He is the author of the books "Secured Commodity Forward Contracts in Asset Management", "Lukrative Rohstoffmärkte - Ein Blick hinter die Kulissen" and "Afrika - Kontinent der Chancen" as well as numerous other publications in professional journals. His new book, "From Tulips to Bitcoins" is already after a few weeks an Amazon bestseller in Germany and the USA in the categories financial market, commodities and digital currencies.

<sup>1</sup> Cf. data from the FED and ECB, www.federalreserve.gov, www.ecb.europa.eu, accessed on 18.9.2019.

i.e. less money is available for public investment and social services. Companies restrict their investments, which has negative effects on the economy and employment. Households have to spend more money on e.g. credit card debt, car leasing rates and real estate loans, and as a result restrict their consumption. As can be seen at first glance, this is not a pleasant scenario. On the other hand, the massive increase in debt levels is a guarantee that interest rates cannot be reduced to a „normal“, i.e. historically average level. The US FED has already underscored this with interest rate cuts in 2019, and in Europe the ECB is following suit and even launching a new bond purchase program.

### Central bank balance sheets and target balances. The risks are increasing.

The global economic and financial crisis from 2007 and the sovereign debt crisis in Europe from 2010 have cost a great deal of trust in the financial system and in government institutions. The fight against the crisis has taken the policy of cheap money with negative interest rates in Europe to the extreme. The unconventional monetary policy of central banks has inflated the central bank balance sheets of the largest economic areas like balloons - FED, ECB, BoJ, PboC, BoE or SNB. In Europe, the balance sheet total of the European Central Bank now exceeds the total economic power of Germany. In the Eurosystem, moreover, target balances have taken on an unprecedented size: the balance-sheet claim of, for example, the Deutsche Bundesbank against the Eurosystem rose to almost EUR 900 billion at the end of 2019, the mark of one trillion euros is within reach. If Italy, for example, were to leave the eurozone, half of this amount would be at risk.

### Corona and the „new“ monetary policy

Tackling the economic impact of the Covid-19 pandemic will cause national debt to explode. In the USA, USD 2 trillion has been made available, in Europe the ECB has so far promised EUR 750 billion. In terms of financial and monetary policy, there is a threat of the „very big bazooka“, for which new measures such as corona bonds and helicopter money are not excluded.

### Can precious metals protect your assets?

In this context, investment advisors often refer to precious metals in the strategic asset allocation to hedge risks. The gold market is by far the largest precious metals market, followed by silver and the platinum group metals platinum, palladium, rhodium, ruthenium, osmium and iridium, of which only platinum and palladium are suitable for investment<sup>2</sup>.

Gold has proven its worth as a store of value for 5,000 years, and gold and silver have been used as currency in the form of coins for a good 2,500 years. Since 1970, gold and other precious metals have been far better able to preserve purchasing power than the US dollar and the German mark or euro. Currently, however, it is not the fear of inflation but the concern about the financial system that makes gold interesting. However, inflation can quickly become an issue again after several lean years, and if the central bank's target of 2% in Europe is exceeded, an overshoot is likely.

What is the fundamental value of a troy ounce of gold or silver? Is there an intrinsic value based, for example, on production costs? It is undisputed in industry circles that the costs of extraction mark a lower limit of the price development, at least in the medium to long term. How attractive it is, however, to own precious metals can be assessed on the basis of the following factors:

- ▶ Monetary policy
- ▶ Inflation
- ▶ Currency development
- ▶ Economic data
- ▶ supply and demand
- ▶ Uncertainty

The monetary policy of the central banks, namely the FED and ECB, influences the interest rate level and thus the „opportunity cost“ of gold. If the savings book offers attractive interest rates, this has a negative effect on the demand for gold. Precious metals should play out their strengths above all in times of rising and high inflation, when the rate of cash devaluation increases. If real interest rates, i.e. nominal interest rates minus inflation, stagnate or fall, this is good for precious metals. The development of the US dollar is also a decisive influencing factor: if the US dollar weakens, this is a positive factor for precious metals. Important economic data provide clarity as to whether the economy is running „smoothly“: if the economy is booming and the unemployment figures fall, this is a bad omen for precious metals. We are currently experiencing the longest stock market bull market since the golden 1920s, so a certain degree of caution is advisable<sup>3</sup>.

Uncertainty can include geopolitical crises, terrorist attacks or a financial system that has gone off the rails. Finally, it plays a role whether fundamental trends in supply or demand shift in the gold or silver market, for example. The most important buyer of physical gold, for example, is India. The most important owners of gold are the central banks. Central banks hold around 33,800 tonnes of gold worldwide. The largest stocks are held by central banks in the USA, Germany and the International Monetary Fund IMF. In recent years, China, Russia and Turkey in particular have been on the buyer side of gold. In 2018 and 2019, central banks worldwide increased their gold holdings significantly. China has also massively built up its gold holdings in

recent years, but due to enormously high foreign exchange reserves, the Middle Kingdom only has a gold coverage of 2.5% of its currency. By way of comparison, the USA and many European countries cover between two-thirds and three-quarters of their foreign exchange reserves with gold.

There are currently almost 200,000 tons of gold<sup>4</sup> worldwide. This is the estimated amount of gold that has been mined throughout human history. The value of this quantity of gold adds up to almost 9 trillion US dollars. This alone corresponds to the increase in global debt in one quarter. Gold stocks are therefore not suitable for debt repayment.

### Bottom line

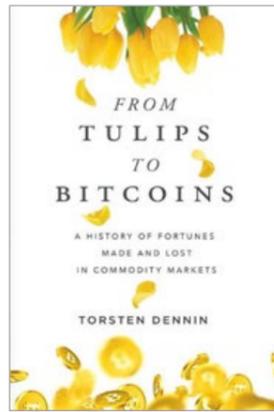
The markets for most assets have become accustomed to the policy of cheap money. The corona virus has now left a dent in growth and stock valuations, which makes the valuation of many stocks look „healthy“ again: equities continue to appear to have no alternative in this scenario. Not only solid countries such as Germany can get into debt at virtually zero cost, even in Greece money is cheap again. Quantitative easing has become viable again. In the USA, the interest rate turnaround that was heralded has been halted, and 10-year interest rates have fallen to 1% for the first time. Gold and other precious metals may not be suitable for debt redemption, but they can be used as crisis and inflation protection for private investments.

<sup>2</sup> Federal Institute for Geosciences and Natural Resources (BGR), [www.deutsche-rohstoffagentur.de](http://www.deutsche-rohstoffagentur.de), accessed on 18.02.2019

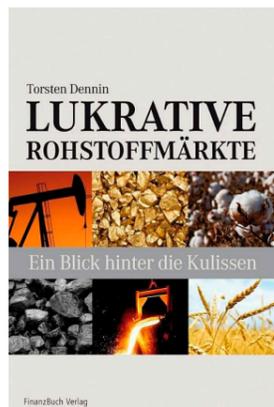
<sup>3</sup> Chris Anstey: Goldman Warns That Market Valuations Are at Their Highest Since 1900, [www.bloomberg.com/news/articles/2017-11-29/goldman-warns-highest-valuations-since-1900](http://www.bloomberg.com/news/articles/2017-11-29/goldman-warns-highest-valuations-since-1900), 29.11.2017

<sup>4</sup> World Gold Council, [www.gold.org](http://www.gold.org), accessed 18.9.2019

# Interview with Prof. Dr. Torsten Dennin – Founder and CEO of Lynkeus Capital LLC



Torsten Dennin  
**From Tulips To Bitcoins**  
A story of the biggest financial bubbles and how to recognise them  
River Grove Books  
May 2019  
ISBN 9781632992277



Torsten Dennin  
**Lukrative Rohstoffmärkte:**  
Ein Blick hinter die Kulissen  
FinanzBuch Verlag, 2. Auflage,  
Oktober 2011  
ISBN 3898795993

*Prof. Dr. Dennin, last summer your new book „From Tulips to Bitcoins“ was published by the American Greenleaf publishing house and the German Finanzbuchverlag. In December 2019 a Russian edition even followed. What is it about, and what is particularly interesting for precious metal investors? Can you give us a little foretaste?*

The tulip madness in Holland in the 17th century was considered the biggest bubble in the financial markets for almost 400 years. „From Tulips to Bitcoins“ describes how this bubble was replaced by Bitcoins in 2017/2018. A fabulous performance from a few cents to over \$20,000, followed by a crash in which investors lost over 80% of their capital.

In 42 chapters I show how cyclical the commodity and crypto markets can be, which is something investors should always keep in mind! In the precious metals section, I show the consequences of the end of the gold standard, the use of rare metals for energy storage and electromobility, and the cycles of gold, silver, platinum and palladium.

*Also, in your books „Lukrative Rohstoffmärkte – ein Blick hinter die Kulissen“ and „Afrika – Kontinent der Chancen“, you repeatedly take up the topic of commodities. What fascinates you so much about the commodity markets?*

My first book focuses entirely on the commodity markets – crude oil, natural gas, copper, gold and silver: all fascinating markets with their own dynamics. In „Afrika – Kontinent der Chancen“ I show the attractive development opportunities of commodity projects, including gold, silver and precious stones. Africa is a continent that most investors still wrongly ignore – wrongly!

On the commodity markets, I am thrilled by the strength of my hands! You can touch a ton of copper, just like a barrel of crude oil or a gold bar. Especially in times of high stock valuations

and a zero-interest rate environment, the reliability of tangible assets increases.

*But have not the stock markets, especially the technology sector, performed much better in recent years?*

Admittedly, the performance of the stock market and especially of Apple, Alphabet (Google) and Amazon in recent years is impressive. But don't you think it's unhealthy that the stock market value of Google alone, for example, exceeds the value of all the mining companies in the MSCI World Metals & Mining Index, after all around 100 companies including mining giants such as BHP Billiton, Rio Tinto, Glencore or ArcelorMittal? This reminds me more of the times of the „New Economy“. The same goes for the argument „Compared to bonds, equities are not that expensive“, which refers to the even higher prices of debt instruments. What are the arguments against commodities? First, unlike the equity market, commodities have been through a five-year bear market that bottomed out in spring 2016. Commodities are therefore relatively „cheap“. Second, commodities are good performers in the late cycle of economic development. We are in the longest equity boom since the golden 1920s, so caution is advised. And third, for all the enthusiasm for technology, people often forget Without lithium, cobalt, copper and nickel, no electric car will drive, and no iPhone will make a phone call!

*In addition to your function as Head of Asset Management Switzerland AG, you are also the founder and Managing Director of Lynkeus Capital, an investment company specialising in commodity markets. What do you do differently from your competitors? What is your specific strategy or investment objective?*

Lynkeus Capital follows the approach of analysing the commodity markets and the com-

panies operating in them in a holistic way. With the Lynkeus Commodity Strategy, I have developed a concept that invests across asset classes in commodities. An investment can be represented by the commodity directly as well as by shares or bonds of commodity producers. Depending on what pays off more for the investor. An example: In the current positive market environment for gold and silver, the shares of gold and silver mines often show a significantly more positive investment result, as rising prices are often reflected as a „multiplier“ in the company's earnings and value. For example, in addition to direct investments in gold and silver, the portfolio also includes shares and bonds of gold and silver mines. The strategy uses a stringent quantitative investment process in combination with qualitative fundamental market analysis for selection.

*An interesting and innovative concept, but what has the strategy achieved for the investor so far? And what are the risks?*

The Lynkeus Commodity Strategy has been active on the commodity markets since March 2016 but has existed on paper since June 2013. Over the last 5 years, an average performance of more than 20% per year has been achieved (CAGR). Last year, the strategy even recorded a value increase of just over 100%! Such a result is of course also associated with corresponding fluctuations in value, as was evident at the beginning of 2020. In particular, the corona crash and the crash of the oil price from 70 to under 20 US dollars left their mark here. Accordingly, investors must always take setbacks into account.

*What do you pay particular attention to when assessing the attractiveness of an investment in a gold and silver mine?*

As with a property („location, location, location“), for me, the location, quality and potenti-

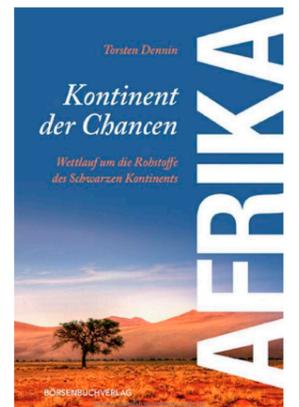
al of an asset as well as the competence and reliability of the management are the decisive factors in a qualitative fundamental analysis of a gold or silver mine. This applies to precious metals as well as to the mining and energy segment. Prior to this, all companies undergo a quantitative filter („screening“). Diversification is another important point that should not be neglected.

*What is your assessment of the development of the stock and commodity markets for the year 2020 as a whole? What will be the big value drivers and the big value destroyers in the commodity market?*

As the corona virus has shown, we will have to prepare for a more volatile and therefore riskier environment in 2020 than in 2019. Growth in China is fragile (and additionally slowed down by the corona virus), the US is becoming more and more isolated, world trade is suffering from rising tariffs, and Europe is struggling with its own integrity in the post-Brexit era. Common sense suggests that rising debt, together with rising interest rates, cannot be good for consumers, businesses or government investment. The central banks know this, too, and are therefore trying to keep money cheap - with all the associated side effects. Despite the volatility and the negative economic outlook, equities will therefore remain without alternative in 2020.

In both the USA and Germany, stock markets are trading below their highs after the corona crash, but valuations are still high and (more importantly) the outlook is gloomy. In this late capital market cycle, commodities as a whole should outperform. At the same time, the Bloomberg Commodity Index, the barometer of the commodity markets, is trading below its absolute lows of 2016. Investors have therefore not yet missed anything.

The prices of nuclear raw materials such as crude oil and copper reflect the state of the



Torsten Dennin  
**Afrika – Kontinent der Chancen:**  
Wettlauf um die Rohstoffe des schwarzen Kontinents  
Börsenbuchverlag,  
April 2013  
ISBN 3864701007

Asset Management Switzerland AG was founded in 2006 as an independent asset manager, offering its clients asset and financial planning, asset management, insurance services and tax advice. Asset Management Switzerland AG is regulated by FINMA and a member of PolyReg/PolyAsset in Switzerland.

Lynkeus Capital, founded in early 2016, specialises in cross-asset class investments in the international commodity markets with a focus on energy and metals. Lynkeus is a member of the Association for Quality Assurance of Financial Services (VQF), a self-regulating organisation for asset managers in Zug recognised by FINMA.

economy and growth - are therefore quite favourable. At this level, I see little potential for setbacks, but many opportunities. Because neither crude oil nor copper will be expendable in the next few years! Precious metals have brought investors joy again in recent months. I expect that we will see a positive price trend for commodities and especially for gold in the second half of the year.

***In the case of gold, silver and platinum, investors have had to be patient in recent years. In the current market phase, what are the indications that the prices of precious metals will continue to rise?***

Indeed, gold and silver have not made things easy for investors. On several occasions, it seemed that prices would break out upwards, but they kept falling back. Until the gold price finally broke through the \$1,360/1,380 mark and quickly reached the \$1,400 and \$1,500 marks. In the course of the Corona crisis, the gold price broke through the USD 1,680 mark. The strong hands, the central banks had been on the buyer's side for some time. Now the demand for Gold Exchange Traded Funds (ETFs) has also picked up. Recently, the US investment bank Goldman Sachs raised its price forecast for gold to USD 1,800. A continuation of the policy of cheap money, the end of the outstanding strength of the US dollar, as well as geopolitical and economic risk factors all speak for a continued positive price trend for precious metals. I can imagine seeing the price of gold at the end of the year in the range of USD 1,800 to over USD 2,000.

One risk factor here is the escalating global debt as a result of low interest rates. According to data from the Global Debt Monitor, international debt continues to rise faster than economic growth, and the IMF is warning of a debt level that is now higher than before the financial crisis. The increased debt level is a guarantee that interest rates cannot be reduced to „normal“ levels. The 10-year

interest rates in the USA and in Germany have recently even fallen back significantly instead of rising. Real interest rates, i.e. interest rates minus inflation, have returned to negative territory - bad for bond buyers, good for gold and silver.

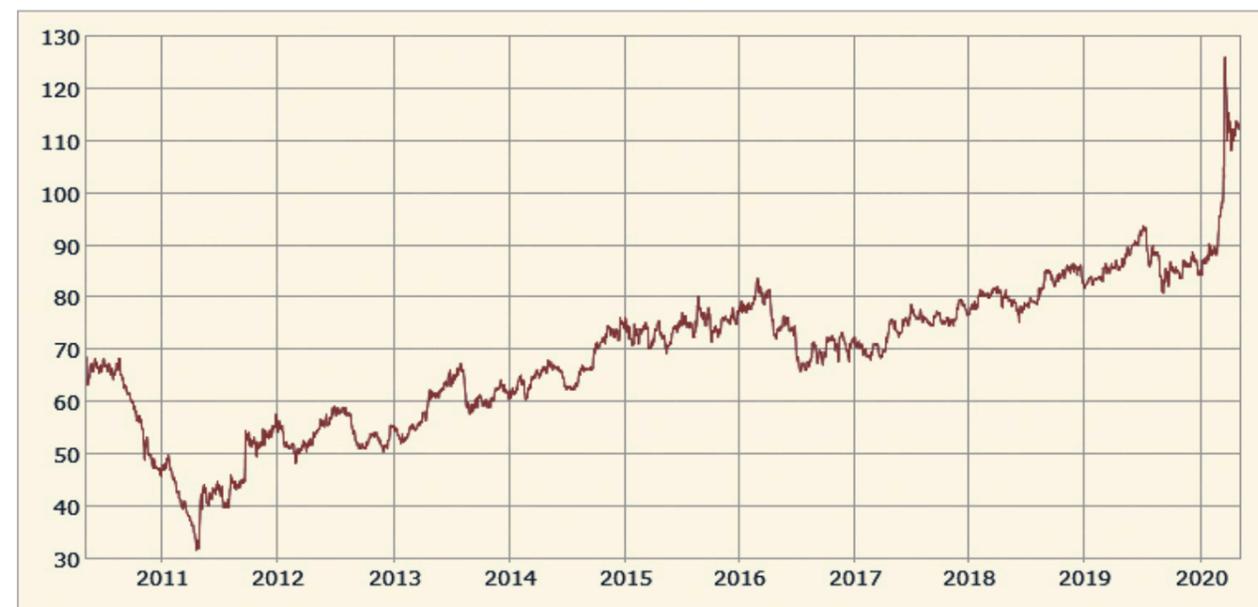
***Does that apply equally to all precious metals? More specifically, for the investor, what is the difference between gold, silver, platinum and palladium? What should one invest in?***

An important factor is the market size and related factors such as tradability, liquidity and value fluctuation (volatility). The classic investment metals are gold and silver. Both metals have long served as the basis of currency systems (keyword: „gold and silver standard“). Based on current prices, the value of annual mine production for gold is around 120 billion US dollars, for silver it is slightly more than 12 billion US dollars - i.e. significantly smaller and thus more volatile than the gold market. Platinum, palladium and rhodium together do not even reach the size of the silver market. Investors must be aware of this.

The growth in electrically powered vehicles (EVs) is bypassing the so-called platinum group metals because their main use is in catalytic converter technology. As a result of the diesel scandal, palladium performed significantly better than the other precious metals. Only in the case of platinum is the jewelry industry an important influencing factor.

Note: the demand from the industry is highest for the platinum group metals, is still an important factor for silver, but hardly plays a role for gold. Here the jewellery industry is dominant, followed by investment demand in the form of ETFs, coins and bars.

If the purpose of an investment in precious metals is to protect assets against inflation and instability of the financial and monetary system, gold is still the most important. We



The gold/silver ratio of the last 10 years  
(Source: own representation)

recommend silver in admixtures. The gold:silver ratio has proven to be an important indicator. The ratio shows the relationship between the price of gold and the price of silver. A high figure means: Based on the historical average, silver is currently undervalued compared to gold. Silver would therefore be cheap compared to gold.

Over the last 30 years, the gold:silver ratio has averaged 66, meaning it took 66 ounces of silver to buy one ounce of gold. Currently, the ratio is close to 100, which is close to the historical highs. An admixture of silver can therefore make sense.

***Some gold and silver mines have shown impressive performance this year. What will happen now?***

Investors in gold and silver mines show a positive appreciation of around 25% over the past 12 months. This more than wipes out the embarrassment of the last quarter of 2018, when mining companies' shares came under pressure in addition to gold and silver. Gold at

just under USD 1,200 and silver below USD 15 per troy ounce did not sound particularly encouraging for investors. But now the prices are over USD 1,700 and just under USD 16 respectively! If we look at VanEck's index funds of large and small gold and silver mines (GDX and GDXJ), despite the recent rise we are still trading at attractive levels, from which we can still more than double without exceeding the old highs. Large mining stocks such as BHP, Rio and Glencore, on the other hand, are even cheaper.

I am convinced that at the current level we have still identified an attractive buying level for precious metals as well as for gold and silver mines. A doubling of the current price level cannot be ruled out, should the prices of gold and silver continue to rise. And in the current environment, I think it is quite possible that we will see gold prices in the range of USD 2,000 and more in the coming years.

***What is the situation with regard to flow rate? Which are the largest producing countries and which companies are leading?***

The decline in exploration spending by companies since the peak before the 2007 financial crisis suggests that this will soon be reflected in declining production figures. Gold production has surprised the past few years with slight increases. The World Gold Council now reports a slight decline in mine production in 2019 to less than 3,500 tonnes. But to speak of a „peak gold“ scenario of production remains to be seen. In contrast, silver production in 2019 is expected to reach 27,000 tonnes, the highest level in recent years. The production of platinum and palladium is just 500 tonnes in total.

Gold and silver are mined almost everywhere in the world. The leading countries in gold production are China, Australia, Russia, USA and Canada. Mexico, Peru and China are the leaders in silver production. In contrast, South Africa dominates platinum production, while

for palladium the Cape country shares this position with Russia. A higher concentration of production can also contribute to a higher fluctuation in value.

The wave of consolidation in the industry has not stopped at the large gold mines either: After Barrick Gold took over Randgold, Newmont Mining followed suit with the acquisition of Goldcorp in 2019. The largest „pure“ silver producer is Fresnillo. The mining companies KGHM Polska Miedz and BHP Billiton, however, produce more ounces per year, but silver accounts for only a fraction of their total turnover. For both gold and silver, it is not so much the large companies as interesting development projects in the small and medium-sized business sector that deserve the interest of investors. Through an aggressive acquisition policy, for example, the South African company Sibanye-Stillwater moved into

the top 10 global gold producers and into the top 3 global producers of platinum and palladium. In the latter category, Anglo American Platinum, a subsidiary of South African Anglo American, and Russia's Norilsk Nickel are leading the way.

***Bitcoins and other crypto currencies are an exciting topic. How do you interpret the current development? Isn't this a competition for gold and silver?***

Bitcoins have managed to break a 400-year-old record in 2018: Finally, there is a bubble bigger than the Dutch tulip mania! But after the following crypto-winter, Bitcoins last increased in price significantly and rose again to over 10,000 US dollars at the beginning of 2020. Here, too, reality seems to have finally arrived.

But apart from that: Bitcoins and other crypto currencies offer a hedge against the risks of the traditional financial system, much like gold. One problem, however, is the high volatility in this area. One way out is, for example, crypto currencies backed by gold or other forms of digitalization that are actually backed by physical gold. This is where the latest technical standards and an investment medium that is thousands of years old come together. It almost seems as if the gold standard is being revived by private initiatives. The combination of new technological standards such as the block chain with gold opens up new investor circles and promotes the acceptance of gold and silver. Therefore, I do not see this development as competition, but rather as a sensible alliance.

***How do you assess the future development of gold and silver? Which is more promising? Gold and silver mines, or a direct investment in gold and silver?***

Physical gold is the basis of any long-term asset strategy. A strong US dollar is a short-term burdening factor. Internationally, how-

ever, debt is rising faster than economic power, so that a future rise in interest rates seems limited. As a negative consequence, there is otherwise the threat of a slowdown in economic growth as well as consumer and investment reluctance - negative factors for the stock market, but positive for the development of the gold price. Falling real interest rates, i.e. inflation is rising faster than interest rates, are also a positive sign for the gold price. Rising debt and an increase in debt service also limit the strength of the US dollar. All in all, precious metals help to build a counterweight against inflation and financial crises. In view of the current US economic policy, the stability of the European Union after the Brexit and the fragile state of economic growth in China, „insurance“ still seems advisable. In a positive environment for gold, silver should outperform significantly. The comparatively high gold-silver ratio also speaks for this. A „normalisation“ of the price ratio of gold and silver to a ratio of 60-65 implies an outperformance of silver to gold of more than 25%. This can safely be called a „brilliant“ outlook!

Both are good news for mining companies, by the way: if prices rise, the company earns more, and the value of the company increases! Even in an otherwise weak equity environment, gold and silver mines should therefore perform well.



Crypto currencies (Skycoin) and silvercoin  
Photo by Stanislaw Zarychta on Unsplash (CC BY 4.0)

# Amex Exploration

## Ongoing world-class drilling results and star investor Sprott on board



Victor Cantore, CEO

Amex Exploration is a Canadian mining development company focused on the exploration and development of gold projects in the Canadian province of Quebec. The company holds majority rights to four such projects, at least one of which has the potential to become a true world-class deposit, as recent drilling has impressively confirmed.

### Flagship gold project Perron - infrastructure and location

This project is called Perron and is ideally located in terms of infrastructure, about one hour north of Rouyn-Noranda (110 kilometres away), on a year-round road, 10 minutes from an airport and just outside the city of Normetal (8 kilometres away). In addition, the project is in close proximity to the Normetal Mine, which hosts a resource of approximately 10 million tonnes of rock with an average of 2.2% copper, 5.4% zinc, 0.5g/t gold and 44.5g/t silver. Within a radius of only 100 kilometres are also important, large deposits such as Timmins (71 million ounces of gold), Kirkland Lake (24 million ounces of gold), Val d'Or (20 million ounces of gold) and Detour Lake (16 million ounces of gold).

The project consists of 117 adjacent claims totaling 45,608 hectares and is 100% owned by Amex Exploration. It is also located in the Archean Greenstone Belt of the Lac Supérieur structural province.

### Perron flagship gold project – exploration successes

Amex Exploration has already identified several high-grade gold zones. These primarily include the Eastern Gold Zone, Central Polymetallic Zone, Gratien Gold Zone and Grey Cat Zone. In November 2019, the Company commenced a 100,000-metre drill program that followed on from the successes achieved in 2017 to 2019.

### Eastern Gold Zone

The Eastern Gold Zone was discovered in late 2017. Two near-surface zones of mineralization, the High Grade Zone and the Denise Zone, returned values of 12.22g/t gold over 4.66 metres and 0.81g/t gold over 76.5 metres. This was followed in 2018 by 269.23g/t gold over 1.35 metres and 0.74g/t gold over 20.75 metres. An exploration drilling program initiated in the first quarter of 2019 again produced spectacular results including 393.33g/t gold over 1.7 metres, 39.58g/t gold over 0.8 metres, 214.71g/t gold over 0.7 metres, 56g/t gold over 8.50 metres and 30.98g/t gold over 8.50 metres.

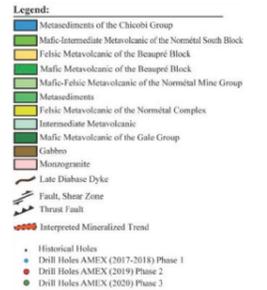
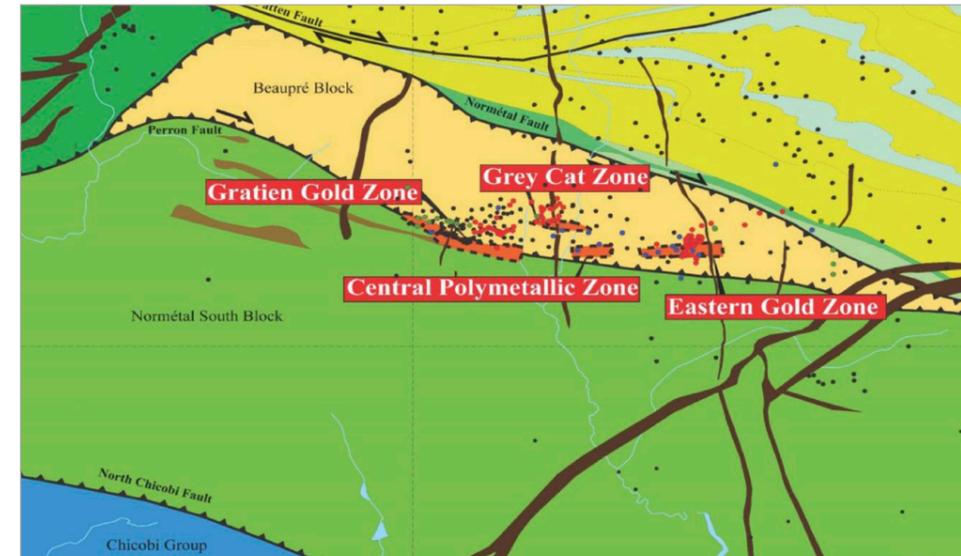
The High Grade Zone has been delineated to date at only 475 meters vertically, with a lateral extent of up to 130 meters, with the zone still open to depth and to several sides. Recent drilling has returned spectacular drill results including 29.44g/t gold over 8.50 metres and 9.73g/t gold over 9.90 metres.

The Denise Zone has been shown to contain two gold mineralizations. A new high-grade intersection in the Denise Zone has several characteristics with the High Grade Zone.

### Gratien Gold Zone

The Gratien Gold Zone was discovered by Falconbridge in the 1990's. In June 2019, Amex began a drilling campaign using the same targeting methodology used to identify bonanza grades in the Eastern Gold Zone. The first hole drilled in 2019, PEG-19-65, intersected 67.52g/t gold over 1.45 metres and 14.39g/t gold over 2.05 metres. Further drilling returned values of 16.77g/t gold over 26.90 metres and 16.48g/t gold over 14.60 metres.

The strike length of the Gratien Gold Zone has to date been extended to 350 metres on a newly defined high-grade lens. Overall, the zone has a variety of vertically dipping lenses with high gold mineralization. The Company is currently working to test the continuity of these lenses along the approximately one-kilometre long corridor of gold mineralization.



Perron hosts four major gold zones. (Source: Amex Exploration)

Amex management believes that the Gratien Gold Zone has potential for both low-grade bulk tonnage mineralization and narrow, high-grade, selective-type mineralization. Recent drilling has returned additional top-grade mineralization such as 41.30g/t gold over 4.10 metres, including 202.81g/t gold over 0.80 metres and 19.63g/t gold over 2.25 metres.

### Grey Cat Zone

The Grey Cat Zone is approximately 650 metres from the Gratien Gold Zone and is located between the Eastern Gold Zone and the Gratien Gold Zone, just north of the regional Perron Fault. It is a near-surface zone containing high grade gold mineralization within a broad panel of disseminated gold mineralization with intervals of up to 26.90 metres grading 3.42g/t gold including 134.16g/t gold over 0.50 metres and 1.26g/t gold over 28.0 metres. Reported gold grades were found from approximately 14 metres below surface to a depth of approximately 225 metres. The near surface mineralization is over 20 metres wide with potential for open pit mining.

Airborne studies identified nine additional areas in early 2020 that may contain potential gold deposits and will be further investigated during the current drilling program. In total, Perron has at least 15 kilometres of prospective faults along the unexplored Abitibi greenstone belt.

### Lebel-sur-Quévillon gold project

In addition to the Perron gold project, Amex has several other highly prospective gold projects: These include the 100% owned Lebel-sur-Quévillon gold project, located in the northwest of the Canadian province near the town of Lebel-sur-Quévillon. The project consists of the four closely spaced Cameron properties (13 claims over 731 hectares), the Madeleine West property (30 claims over 1,682 hectares), the Madeleine East property (74 claims over 4,150 hectares) and the Pusticamica property (146 claims over 8,180 hectares). Pusticamica is surrounded by several spectacular gold discoveries, including the Osisko Windfall Gold Project (75 kilometres to the south), Cartier Resources' Benoist Gold Property (5 kilometres to the south) and the Metanor Bachelor Gold Mine (20 kilometres

to the northeast). The Madeleine West and East properties are located approximately 15 kilometres northeast of Cameron. The Company has previously reported significant gold grades including 1.7g/t gold over 7.0 metres, 11.2g/t gold over 0.3 metres, 2.0g/t gold over 2.5 metres and 4.1g/t gold over 0.3 metres. Madeleine West and East cover the deformation zone over a strike length of approximately 25 kilometres, which is part of the Casa Beradi Deformation Gold Structure. This structure hosts Hecla Mines' Casa Beradi producing gold mine.

### Eastmain River Gold Project

The 100% owned Eastmain River gold project consists of 135 claims covering 7,102 hectares and is located in the Eeyou Istchee Territory, James Bay, Quebec, approximately 350 kilometres north of the city of Chibougamau in the Plan North region. The claims are accessible from Chibougamau via the new 243-kilometre year-round road to Stornoway's Renard Diamond Mine. The area experienced an explosive exploration push with the construction of Route 167 as it provided access to an area that had previously been poorly developed due to limited infrastructure and access. Today, the area is actively explored by a number of companies including Eastmain Resources, Osisko Mining and Soquem. To date, two of the four blocks (Eastmain River North and South) have been flown by Amex to conduct high-resolution, helicopter-based, magnetic and time-domain electromagnetic surveys. Neighbouring Eastmain Resources, in a drilling campaign immediately south of the Eastmain River South block, has reported 24.8g/t gold, 25.7g/t gold and 1.1% copper over 9.3 metres.

### Gowan Project

Amex Resources also has an option agreement to acquire a 100% interest in the Gowan polymetallic project consisting of 16 claims

covering 256 hectares near the Kidd Creek Mine. Gowan has historic drill hole intercepts with significant copper, zinc, gold and silver grades. Geophysical surveys are being conducted to evaluate the potential of the property at depth and to further investigate the extent of known mineralization. A follow-up drill program will be prepared based on the interpretation of the geophysics. In addition to the optional claims, Amex has a 100% block claim of 128 hectares adjacent to the optional property.

### Star investor Sprott on board – excellently financed

In February 2019, Amex Resources announced that none other than precious metals star investor Eric Sprott had joined Amex. Since then, the company has generated more than CA\$18.4 million in fresh capital. Sprott is the largest single shareholder and holds approximately 12% of all outstanding shares. Commodity Capital holds 7% and management holds approximately 13% of Amex.

### Summary: Continuous news flow and resource estimation ahead

Amex Exploration has already been able to demonstrate that its flagship Perron project is a true high calibre prospect. After all, over 10 kilometres of strike length along one of the most high carat, but at the same time least explored areas of Quebec, and even of Canada, the Abitibi Greenstone Belt. Not only proven gold grades of up to 677g/t, but above all the prospect of several ore deposits of different types in a relatively small area made Amex interesting for larger addresses such as Sprott or Commodity Capital. Most recently, Amex Exploration had four drilling rigs in operation simultaneously. The aim is to prepare a first sound resource estimate, which does not exclude a revaluation of the Amex share.

## Exclusive interview with Victor Cantore, CEO of Amex Exploration

### What have you and your company achieved in the past 12 months?

Amex Exploration has made significant gold discoveries in the mining friendly jurisdiction of Quebec. The project is well serviced by existing infrastructure, drilling is year-round, and the Company has made significant gold discoveries on the Perron Property. Currently Amex is in the middle of a 100,000-metre-drill program with about 60,000 metres completed. Roughly one year following the discovery of the Eastern Gold Zone, we have transformed this property from one very high grade gold target to three separate gold zones spread over 3.2 km. Based on our exploration to date we believe each of these zones has the potential to be robust gold deposits as they are open to depth and along strike. The western section of the property is highly underexplored and we believe the potential there is vast. Of course, the Eastern Gold Zone is continuing to deliver exceptional drilling results.

### What are the most important company catalysts for the next 6 to 12 months?

With four drills turning on the property investors can expect a steady flow of drill results from all three known gold zones as well as from our regional exploration drill targets elsewhere on the property. In addition, we plan to do some metallurgical work to determine how the ore would be milled in the future. Since the gold is largely free gold in quartz, we are not expecting any issues. In addition, following a successful drill program this year we would look to start a 43-101 complaint resource estimate on the property.

### How do you see the current situation on the market for precious metals?

With such global uncertainty we continue to see wild fluctuations in the market which we believe is very bullish for gold as a safe haven in the long term and should translate into even higher gold prices. We continue to focus on delivering excellent results and building ounces in the ground.

ISIN: CA03114B1022  
WKN: A2DJY1  
FRA: MX0  
TSXV: AMX

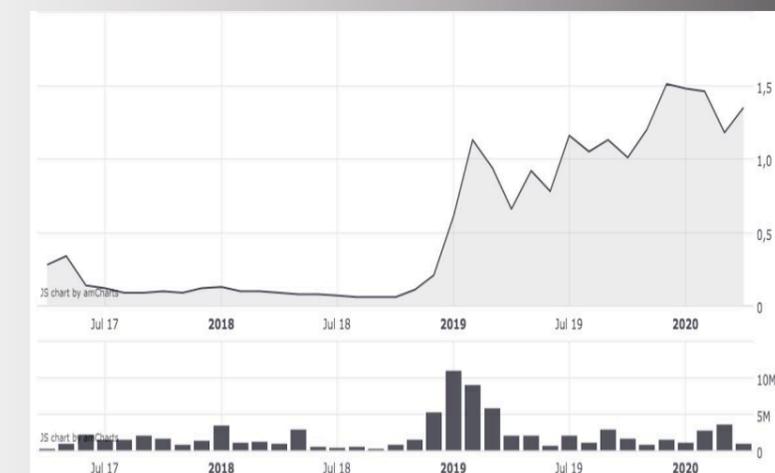
Shares outstanding: 66.4 million  
Options: 5.4 million  
Warrants: 12.2 million  
Fully diluted: 84.0 million

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## Amex Exploration Inc.



# Bluestone Resources

## Top project and Lundin family on board



Jack Lundin, CEO:

Bluestone Resources is a Canadian mining development company focused on gold projects in Central America. Its flagship project is the Cerro Blanco Gold Project, an approved high-grade underground gold project in southeastern Guatemala. Bluestone Resources also owns the Mita geothermal project, an advanced renewable energy project with a license to produce up to 50 megawatts of power. In January 2020, Jack Lundin, a member of one of the most influential and successful mining dynasties, assumed the role of Company CEO.

### Cerro Blanco flagship project – location and infrastructure

Bluestone Resources' flagship Cerro Blanco project is located in southeastern Guatemala, approximately 160 kilometres from the capital Guatemala City. The Pan American Highway runs only 5 kilometers from the mine site and is easily accessible by road. The former owners invested about US\$ 170 million in the project. The existing infrastructure includes several portals and three kilometres of underground development, including limited trial mining. As part of the May 2017 acquisition, selected mining equipment was purchased. This includes a 12 MW CAT diesel generator set, bucket wheel trains, jumbos, bolters and underground drilling rigs, a testing laboratory and other various mobile equipment.

### Cerro Blanco flagship project – exploration

Bluestone Resources conducted several comprehensive drilling campaigns in 2018 and 2019 to expand and upgrade resources in the North and South Zones. In 2019 in particular, several high-grade mineralized intervals were encountered. These included 13.1 metres at 11.2 grams gold per tonne rock (g/t), 10.2 metres at 13.1g/t, 11.1 metres at 8.5g/t, 2.4 metres at 86.1g/t and 1.0 metres at 201.4g/t gold and 2,139g/t silver. The Com-

pany is currently drilling the South Zone where 22 metres have already been intersected at 22g/t gold. In addition, another gold-bearing layer has been discovered 2 kilometres to the east of the two main zones. There, 7.6g/t gold was encountered over 13.5 metres. Furthermore, the project site has additional gold targets that still need to be explored.

### Flagship project Cerro Blanco – Resource

Cerro Blanco currently has a reserve of 940,000 ounces of gold and 3.57 million ounces of silver. Measured and Indicated resources (including reserves) are 1.41 million ounces of gold and 5.1 million ounces of silver. It is important to note that the average gold grade is 8.5g/t gold for reserves and 10.3g/t gold for resources, making Cerro Blanco one of the highest-grade gold projects in the world. The latest estimates are from January 2019 (reserves) and November 2019 (resources) and do not yet include the latest drilling. The next resource estimate is planned for the second half of 2020. This will include drilling from the South Zone.

### Cerro Blanco flagship project – top feasibility study

In November 2019, Bluestone Resources released a feasibility study that was truly a challenge. The study, based on a gold price of only US\$1,250 per ounce, an average annual production of 113,000 ounces of gold, and during the first three years even 146,000 ounces of gold, and a processing capacity of 1,250 tonnes per day, comes up with a net present value (NPV) of US\$241 million discounted at 5% and a return on investment (IRR) of a whopping 34%. The initial cost of capital was estimated at a manageable US\$ 196 million. The all-in-sustaining cost is estimated at US\$ 579 per ounce of gold, making Cerro Blanco one of the most cost-effective gold mines in the world. The mine life is 8 years, not all

known resources are included in the calculation. The payback period is 2.1 years. A further sensitivity analysis has shown that Cerro Blanco would still be highly profitable even at a lower gold price of US\$ 1,100 per ounce and would have an NPV of US\$ 157 million and an IRR of 25%. The repayment period would be 2.7 years. For a gold price of US\$ 1,500, which is currently closer to the price of gold, this would result in an NPV of US\$ 392 million, an IRR of a sensational 49% and a repayment period of only 1.6 years.

### Flagship project Cerro Blanco – Upcoming catalysts

2020 should be characterised by three things above all. First, drilling in the South Zone area. This is primarily aimed at expanding the current high-grade resource. A steady news flow from the corresponding drilling campaign should result in a new resource estimate in the second half of the year. Secondly, initial financing for the mine construction should be available as soon as possible. Strong shareholders (see below) could make a significant contribution to this. Thirdly, the company is already working in parallel on the development of the mining facilities. Mining equipment is already available in parts and the underground expansion is progressing. Furthermore, optimization, construction and design work is already underway. In April

2020 Bluestone Resources entered into an agreement with G Mining Services Inc. for the basic engineering and optimization of the overall project. Together, Bluestone and G Mining will form an integrated project team to manage aspects of the project including optimization of all aspects of design, detailed design and basic engineering. Basic engineering is expected to be completed by the fourth quarter of 2020 and detail engineering is expected to begin in the fourth quarter of 2020. During this period, the detailed plan for procurement, early field work, construction and commissioning will be prepared as part of the next phase of the project.

### Mita Geothermal Project

The Mita Geothermal Project is a geothermal resource located 5 kilometers east of the Cerro Blanco Gold Project. Former owners invested approximately US\$60 million in the exploration and development of the Mita Geothermal Project. Sinclair Knight Merz prepared a feasibility study in 2013 which resulted in a positive economic evaluation. Bluestone Resources is evaluating several options to ad-



- Cerro Blanco Project Location:**
- ~160 km by road east-southeast of Guatemala City (2.5 hour drive)
  - Connected by the Pan American Highway (mine site is 5 km from the highway)
  - Nearest town is Asuncion Mita with a population of 18,000
  - No relocation or land resettlement required

(Source: Bluestone Resources)

## Exclusive interview with Jack Lundin, CEO of Bluestone Resources

vance the commercialization of the Mita Geothermal Project. Initially, synergies could be achieved by using energy generated on Mita to meet the mine's energy needs, including drainage and ventilation. This could then be followed by the development of a larger geothermal power plant that could generate the rest of the energy required for operation and even energy for the general power grid. A total of 19 geothermal wells have already been drilled at Mita, including nine slender wells and ten standard diameter wells. The company believes that a deeper geothermal reservoir could be located under the geothermal concession at a depth of 2,000 to 3,000 meters. Chemical geothermometric projects reservoir temperatures of 220+°C. The development of a deeper geothermal reservoir could enable additional electricity production of up to 50 MW. Mita already holds a 50-year license to build and operate a 50 MW geothermal power plant.

### Experienced and successful management

Bluestone Resources has a highly experienced and successful management team. CEO Jack Lundin was recently involved in the successful establishment of Lundin Gold's Fruta del Norte gold mine in southern Ecuador, where he served as project manager. He brings many years of technical and commercial experience in the commodities sector and is also on the board of Denison Mines. President Darren Klinck most recently served as Executive Vice President & Head of Corporate Development at OceanaGold Corporation where he was responsible for overseeing capital markets and merger and acquisition strategy. Over the past ten years at OceanaGold, his various responsibilities have included overseeing project teams leading exploration, corporate social responsibility and extensive government relations activities. Executive Chairman John Robins is a professional geologist with over 30 years experience as an independent exploration geologist and entrepreneur. John was the founder and Chairman of Kaminak Gold, which was acquired by Goldcorp Inc. for \$520 million in 2016.

### Top shareholders and \$30 million loan

Bluestone Resources owns some very high caliber shareholders. The largest single shareholder is the Lundin family, which holds approximately 34% of all outstanding shares. CD Capital holds 15%, Newmont 4%, management 7% and other institutional investors 21%. Only about 22% are traded as free float.

In January 2020, a loan of US\$ 30 million was secured from Natixis. Natixis is a French multinational financial services company and one of the lending banks in connection with a possible debt-based financing package for the mining industry. Most recently Bluestone Resources announced a CA\$80 million financing.

### Summary: Full speed ahead towards gold production

With the arrival of Jack Lundin as CEO, the course was clearly set in the direction of mine financing, mine construction and production. The loan of 30 million dollars is intended to bridge the time until the complete mine financing is completed but has a term of only one year. This means that by 2020 at the latest, a financing package is to be put together to fully finance the planned mine. Financially strong partners already hold large stakes in Bluestone Resources and could help with the financing. The company already owns one of the world's highest-grade gold projects and, according to the feasibility study, could also produce at all-in costs of less than \$600 per ounce. As of today, this could generate a free cash flow of about \$1,000 per ounce. A sensational value, which should not make the necessary financing too difficult.

### What have you and your company achieved in the past 12 months?

In the last twelve months, Bluestone completed a feasibility study that demonstrated robust economics, with an AISC of \$579/oz a two-year payback and an IRR of 34% at \$1,250/oz gold. We completed an infill drill program in the North zone that was focused on upgrading ounces into M&I and extending known veins in the mine plan. We released a new resource estimate update that successfully upgraded 208,000 oz or 18% into M&I that could potentially add 1 to 2 years to the mine life. Each year of mine life that we add contributes ~\$65M in free cash flow. On the back of the Feasibility Study we initiated project financing discussion and are well into this process. Recently Jack Lundin joined as CEO, the Lundin Family are our largest shareholder, and this demonstrates their commitment to making Cerro Blanco a successful project. Jack recently came off of the Fruta del Norte build where he will be looking to replicate that success.

**ISIN:** CA09626M3049  
**WKN:** A2DSHJ  
**FRA:** IX9D  
**TSX-V:** BSR

Shares outstanding: 82.4 million  
Options: 8.2 million  
Warrants: 12.1 million  
Fully diluted: 102.7 million

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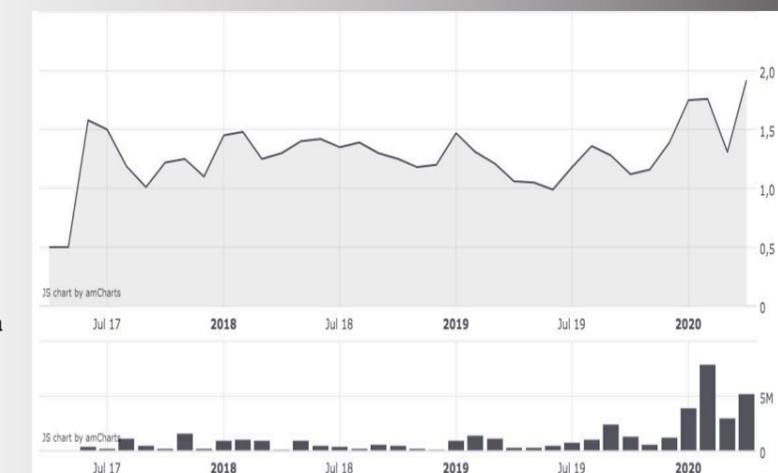
### What are the most important company catalysts for the next 6 to 12 months?

The key catalysts over the next 6 to 12 months include ongoing infill drill results, we can expect to deliver high grade drill results throughout the first half of the year. Bluestone is targeting a project financing package in Q2 2020 which will be a major catalyst (fully funded for construction), followed by initiating construction later in the year. On the back of the infill drilling an updated resource estimate will be completed which is scheduled for Q3 2020.

### How do you see the current situation on the market for precious metals?

Very positive, gold has reached a multi year high and we view this as an opportune time to be building a mine as we enter into this price environment.

## Bluestone Resources



# Caledonia Mining

## Production increase of 45% within only 2 years!



Steve Curtis, CEO

Caledonia Mining is a mining, exploration and development company with a clear focus on Southern Africa. Its main asset is a 64% stake in the Blanket Gold Mine in Zimbabwe. There the company produced 55,182 ounces of gold in 2019. By 2021, the company plans to increase its annual production to up to 75,000 ounces of gold and by 2022 to 80,000 ounces, and in the long term to as much as 250,000 ounces. To this end, the central shaft is currently being massively expanded. The company is paying a high quarterly dividend.

### Blanket Gold Mine – Expansion of stake to 64% successfully completed

Caledonia Mining until recently held 49% of the Blanket Gold Mine. In the course of the dismissal of ex-president Mugabe and the associated change of government, it became possible to take over corresponding shares from the partners. In August 2018 Caledonia Mining announced that it had reached an agreement with local partners to take over their 15% share. This increased Caledonia's share in the Blanket Gold Mine to 64%. The company will continue to try to increase its share even further.

### Blanket Gold Mine – Strong production and financial figures

Caledonia Mining was able to present strong production figures for 2019. In 2019 it produced 55,182 ounces of gold at all-in-sustaining costs of only US\$ 856 per ounce. This puts the Blanket Mine in the lower quarter of all-in costs worldwide. The gross profit amounted to US\$ 31.1 million. In the fourth quarter of 2019 a record production of 16,876 ounces was even recorded. At the end of March 2020, Caledonia Mining had approximately US\$12.5 million in cash.

### Blanket Gold Mine – Historical Production

The Blanket Gold Mine consists of several gold mineralizations that have been exploited since 1904. Falconbridge acquired the project in 1965 and increased gold production to an average of approximately 45 kilograms per month. In 1993, Kinross took over the project and built an expanded carbon-in-leach plant with a capacity of approximately 3,800 tonnes per day. Gold production reached a level of 110 kilograms per month from 1995 to 2007. In 2006, a wholly owned subsidiary of Caledonia Mining completed the acquisition of Kinross' Blanket Mine. In September 2010, expansion project No. 4 was commissioned, increasing Blanket's lifting capacity from 500 tonnes per day to 3,000 tonnes per day from shaft No. 4.

### Blanket Gold Mine – Current production status

The current Blanket Mine has eight ore shoots. Most of the mine production is currently sourced from the AR Main and AR South ore bodies, with the Blanket, Eroica and Lima shoots contributing less. AR Main and AR South are massive ore bodies up to 30 metres wide and are ideal for open pit, long hole mining. Double Shaft No. 4 is Blanket's main shaft for lifting ore from the loading stations at 510 meters and 789 meters depth and has a proven lifting capacity of 110 tons per hour from 789 meters. The Jethro and Eroica shafts and the Winzes No. 5 and No. 6 shafts are used to transport people and materials underground, while the No. 2 and Lima shafts are also used to hoist ore to the surface.

### Blanket Gold Mine – massive expansion of production capacity

Although these areas still contain significant quantities of gold ounces, the Company decided about 5 years ago to land the big project and to expand, upgrade and drive the central shaft between AR Main and AR South to a depth of over 1,200 meters to develop not only the immediate area below the current, deepest mining level of about 850 meters, but basically all known deposits below and above this level. This is because the company has already been able to demonstrate further significant resources to a depth of around 1,100 metres. The new shaft, with a diameter of 6 metres, which is extremely impressive and has been driven to a depth of more than 1,200 metres, would make it possible to significantly increase production - after all, three new production levels will be reached - and could also be used for underground drilling, which would save a lot of money and time. Caledonia Mining has already invested more than US\$ 60 million (US\$ 20 million in 2019 alone) in the expansion of the central shaft and is currently working on its equipment.

### Blanket Gold Mine – new central shaft in operation from 2020

The central shaft is expected to be commissioned in the fourth quarter of 2020 and then provide for a significant increase in production, with a simultaneous reduction in all-in costs down to around US\$ 700 an ounce. Management expects this to result in a significant increase in free cash flow. Recently Caledonia Mining also announced the successful installation and commissioning of a new oxygen plant at the Blanket Mine. The new oxygen plant is expected to improve metallurgical recovery and reduce cyanide consumption at Blanket. Based on the test work carried out, the plant is expected to im-



The Blanket Mine lies in the southwest of Zimbabwe, close to the city of Gwanda. (Source: Caledonia Mining)

prove Blanket's overall metallurgical yield to approximately 94 percent. In addition, new diesel generators were installed and commissioned to fully compensate for any power outages.

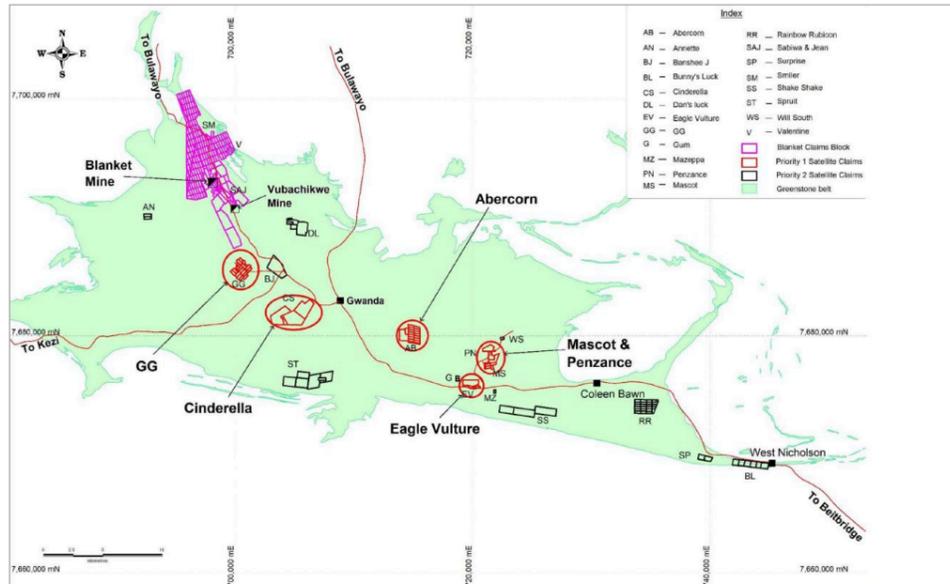
### Blanket Gold Mine – steady expansion of resources and high exploration potential

Despite constant mining, the company has succeeded in increasing its resource base in recent years. Thus, in February 2018, the Blanket Mine had a total of 1.768 million ounces of gold (of which 380,000 ounces of gold in reserves as well as 425,000 ounces of gold in the indicated category and a further 963,000 ounces of gold in the inferred category). The Blanket Mine itself offers additional previously confirmed resources in the areas below the current mining level of approximately 800 metres. In addition, the Lima, Eroica, Sheet and Feudal ore bodies have only been exploited to date at depths between 150 and 750 metres. In the case of Eroica, there is even a gap between 230 and about 470 meters, within which further resources are also suspected. In particular, the Feudal, Jethro and Blanket area could host a coherent ore structure that has not yet been

## Exclusive interview with Mark Learmonth, CFO of Caledonia Mining



Mark Learmonth, CFO



The entire property also has several potential satellite projects. (Source: Caledonia Mining)

delineated. The new central shaft will provide excellent access to all new areas to be developed from next year. The entire property also has several potential satellite projects. Five of these have priority 1 status and will be drilled successively for additional deposits. In addition, there are other areas which are still completely without modern exploration programs.

### Dividend payment since 2012 – Attractive dividend yield

Caledonia Mining has been paying a regular dividend since 2012 without interruption. This was increased again at the beginning of 2020 and currently amounts to US\$0.075 per quarter, which corresponds to an annual dividend of US\$0.30.

### Summary: Four top investment advantages

Caledonia Mining is interesting for gold investors as an investment from four points of view. Firstly, the management was able to

significantly increase the company's stake in the mine from 49% to 64%. Secondly, the company is less than a year away from commissioning the new, central shaft, which will not only significantly increase production, but also reach new mining levels at which significant resources have already been demonstrated, but which - point three - above all still have a much higher resource potential. The same applies to possible satellite deposits, where exploration is just as active. Fourthly, in the highly probable event of a significant increase in free cash flow, management plans to distribute part of it to shareholders in the form of additional dividends. All in all, the prospects are very good that investors will benefit from the coming gold boom, and that Caledonia Mining has high margins and thus a high leverage on the gold price. During the corona-related production restrictions, the company will still produce and reach about 70 to 80% of the planned production. Caledonia Mining has been granted an exemption for this purpose.

### What have you and your company achieved in the past 12 months?

We completed the sinking of our new shaft down to just over 1,200 meters in July 2019 and we are now busy equipping it. In the final four months of 2019 we also addressed some issues which had caused grade dilution in early 2019: we therefore achieved record production in the fourth quarter of 2019 of over 16,000 ounces of gold. It is pleasing to see the measures we had introduced continued into the first quarter of 2020, which also saw a substantial improvement in gold production compared to the first quarter of 2019. In light of these improvements, in January 2020 we increased the quarterly dividend by approximately 9% from 6.75 cents per quarter to 7.5 cents per quarter

### What are the most important company catalysts for the next 6 to 12 months?

We expect to complete the new shaft towards the end of 2020. Thereafter we expect three

things to happen which will substantially increase the generation of distributable cash:

- ▶ Production will increase from the current level of approximately 55,000 ounces per annum to 80,000 ounces from 2022 onwards;
- ▶ Capital expenditure will fall from the current level of approximately \$21 million per annum to approximately \$13 million in 2021 and fall progressively to approximately \$5 million per annum from 2024 onwards
- ▶ Operating costs will fall as a result of increased economies of scale and improved operating efficiency

### How do you see the current situation on the market for precious metals?

We expect the uncertainty arising from the Covid-19 virus and the response by governments around the world to boost the economy will be strongly beneficial for the gold price.

ISIN: JE00BF0XVB15  
WKN: A2DY13  
FRA: 9CD1  
TSX: CAL  
NYSE/LON: CMCL

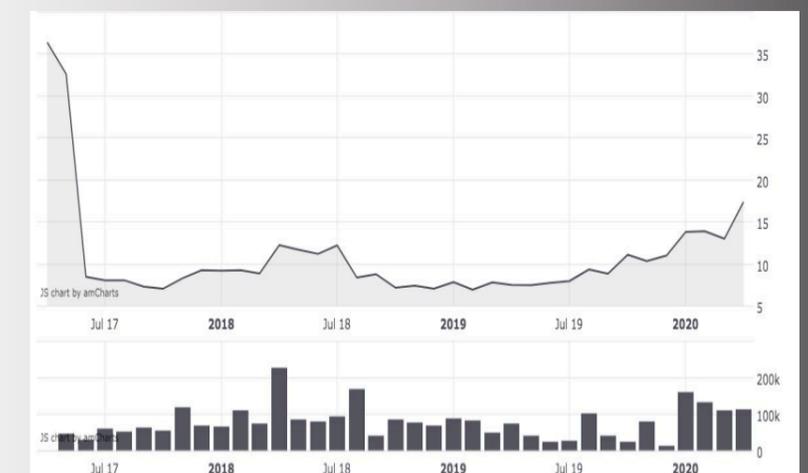
Shares outstanding: 10.8 million  
Options: -  
Warrants: -  
Fully diluted: 10.8 million

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## Caledonia Mining Corp.



# Cardinal Resources

## Over 5.1 million ounces of gold reserves, a completed feasibility study and a takeover bid



Archie Koimtsidis, CEO

Cardinal Resources is an Australian mining development company focused on prospective gold projects in West Africa. In politically stable Ghana, the company has two advanced projects and already has a reserve of 5.1 million ounces of gold. Following completion of a positive feasibility study, Cardinal Resources received a non-binding takeover offer from Nordgold.

### Flagship project Bolgatanga

Cardinal Resources' flagship project is called Bolgatanga and is located within a Paleoproterozoic granite-greenstone belt in northeastern Ghana near the border with Burkina Faso. Bolgatanga covers approximately 660 square kilometres and consists of the four individual concessions Namdini, Bongo, Ndongo and Kungongo. Compared to the south of Ghana, the north is still largely underexplored.

### Namdini – Reserves and resources

By far the most advanced sub-project Bolgatanga is called Namdini. It already has very significant reserves of 138.6 million tonnes of rock with an average of 1.13 grams of gold per tonne (g/t). This means that the Namdini deposit currently has 5.1 million ounces of gold reserves. Total resources (including reserves) are 182 million tonnes of rock averaging 1.12g/t gold for 6.53 million ounces of gold in the Measured and Indicated categories and a further 12 million tonnes averaging 1.2g/t gold for 460,000 ounces of gold in the Inferred category. This means that 80% of the measured and indicated resources have already been classified as reserves.

### Namdini – Occurrence

The Namdini deposit extends at or near the surface for approximately 1,150 metres by 350 metres, with the highest-grade areas being very close to the surface. A possible starter pit contains approximately 1.06 million ounces of gold with average grades of 1.31g/t. This would extend to a depth of

approximately 150 metres. A possible enlarged pit would be approximately 1,000 by 500 metres and approximately 400 metres deep. The big advantage: With the current mine design, the strip ratio, i.e. the ratio of waste rock, which contains no or only uneconomical gold content, to gold-bearing rock, is only 1.4 to 1, and for the starter pit even only 0.5 to 1. Below this area, the company was able to detect further, partly high-grade gold mineralisation, which in addition has not yet been delineated at depth and thus represents a further resource potential. In July 2019, Cardinal Resources released new drill results from the starter pit area. These included 83 metres averaging 3.5g/t gold and 78 metres averaging 4.1g/t gold.

### Namdini – Feasibility study

Cardinal Resources was able to report a positive pre-feasibility study for Namdini in October 2019. Based on an annual processing of 9.5 million tonnes of rock and a gold price of US\$1,350, this results in an average annual production of 367,000 ounces at all-in-sustaining costs of only US\$585 per ounce. Including the ramp-up phase, the starter pit would supply material for 3 years. However, the US\$390 million capital cost of building the mine would be repaid after 21 months. For the total mine life of about 15 years (average annual production 280,000 ounces), all-in-sustaining costs of US\$ 895 per ounce of gold could be calculated. The return on investment (IRR) is 33.2% after tax, the net asset value (NPV) discounted at 5% amounts to US\$ 590 million.

A slightly higher gold price of US\$ 1,450 results in an IRR of 40% after tax and an NPV of US\$ 776 million.

Namdini already holds a 15-year mining license covering 63 square kilometers, which can be renewed. The environmental impact analysis has been commissioned.

### Bolgatanga – resource potential

Namdini is by far the smallest of the Bolgatanga licenses in terms of area. Corresponding resource potential exists in the three other concession areas. The company is currently working on several exploration initiatives in order to make a find there as well.

ding resource potential exists in the three other concession areas. The company is currently working on several exploration initiatives in order to make a find there as well.

### Ndongo

Six large-scale targets have already been identified on Ndongo, with the initial focus being on large regional shear zones. Recent exploration activities have identified a discovery at Ndongo East. In July 2018, the discovery included 9 metres averaging 23.3g/t gold including a 3-metre interval of 59.2g/t gold from a depth of 60 metres. In August 2018, 12.6 g/t gold was encountered over 6 metres, directly below surface from a depth of 2 metres. In November 2018, the Company intersected a 3-metre interval at a depth of only 45 metres with 29.3 g/t gold from a depth of 60 metres. In 2019, the company also encountered a variety of top mineralization. These included 42.2g/t gold over 2 metres, 11.3g/t gold over 8.3 metres, 13.9g/t gold over 5.3 metres.

In total, several gold-bearing intercepts have already been identified over a strike length of 1.2 kilometres.

### Bongo/Kungongo

Drilling is planned for the Bongo license. Geophysical targets are being evaluated. On the Kungongo license, 4.5 kilometres of strike length are currently being evaluated. Positive assay results have also been obtained from the first pass drilling campaign. A 3,000-meter drill program was started in the fourth quarter of 2018.

### Subranum Gold Project

The Subranum Project is located in the southwestern part of Ghana, also in a Paleoproterozoic granite-greenstone belt. It covers approximately 69 square kilometres and touches the so-called Sefwi Gold Belt. Previous exploration by Newmont (soil sampling, trenching and drilling) discovered a gold minerali-



Bolgatanga lies in the north of Ghana and consists of the four individual concession areas Namdini, Bongo, Ndongo and Kungongo. (Source: Cardinal Resources)

zed zone over 5 kilometers to a depth of only 50 meters. As drilling was conducted on irregular, widely spaced drill areas, Cardinal plans to systematically drill this initial target area to better define and extend the gold mineralization along strike and at depth.

### Upcoming catalysts

After completion of the feasibility study, the main focus will be on financing the mine project. Due to the currently higher gold price - compared to the feasibility study - the interest of several parties interested in corresponding financing is increasing. Cardinal also plans to take further risk from the project by starting the Front End Engineering Design program and further improving the project execution plan. Early site work and the advancement of technology towards construction are supported by Cardinal's strong cash position. Exploration campaigns are also underway in several license areas, which should yield a variety of results.

### Superior management

Cardinal Resources has an outstanding management team with many years of experience in the mining industry and in Ghana. CEO and Managing Director Archie Koimtsidis has been involved in all aspects of gold exploration, discovery, production and refining in West Africa and South America for 20 years. His most recent appointment before joining Cardinal Resources was as Deputy Country Manager Ghana for PMI Gold (now Asanko Gold). During this time, he was responsible for all operational aspects of the field, including the coordination of exploration, drilling programs and personnel management related to the company's projects in Ghana. Non-Executive Director Trevor Schultz has over 45 years of experience in the mining industry with experience in project development, construction and operations. Between 2008 and 2018 he was Executive and Non-Executive Director at Centamin Egypt and was responsible for the construction of

the 12Mtpa processing plant, which has a similar flow chart to the one proposed by Cardinal. Prior to that he was Chief Operating Officer of Ashanti Goldfields (now Anglo Gold Ashanti) and lived in Ghana for 6 years. He also worked for BHP in Australia and America and in South Africa for Anglo American Corporation.

In September 2019, David (Dave) Anthony was also introduced as the new COO. Anthony is a graduate mining engineer from Queens University in Canada. He has over 30 years of experience in mining and mineral processing and has served at the highest levels of management and leadership in the design, construction and operation of gold processing plants and mines worldwide. He has been responsible for the design and supply of mines with investment costs of up to US\$3.8 billion and a total material turnover of up to 40 million tons per year.

### Summary: Financing ahead! – Or a takeover after all?

Cardinal Resources can probably be described as one of the few largely undiscovered pearls in the gold sector. 5.1 million ounces of gold reserves are a real house number for a junior developer. In addition, the current resources for one of four flagship concessions alone are 7 million ounces of gold. The second concession Ndongo already indicates the Blue-Sky potential that the Bolgatanga Project has. The recent drilling successes speak for themselves. All Bolgatanga licences are within a radius of only 30 kilometres and could be exploited consecutively or together. Following the publication of the final feasibility study, Cardinal received a non-binding takeover bid in March 2020 from Nordgold, a private gold producer specialising in West Africa and already operating 10 mines. The outcome is open, although the targeted takeover price of AU\$0.45775 does not appear to be very high. Some analysts see the fair price rather above AU\$1.

## Exclusive interview with Archie Koimtsidis, CEO of Cardinal Resources

*What have you and your company achieved in the past 12 months?*

Cardinal has completed its Feasibility Study and initiated a Front-End Engineering Design (FEED) program, to get the Namdini Gold Project ready for execution. This includes ordering all long lead equipment, advancing the level of engineering and developing the Project Execution Plan further, to reduce risk of schedule and cost overrun.

It is well known that a sustainable mine development cannot proceed without social licence. While the Feasibility Study was being completed, Cardinal conducted an extensive program of community engagement. The Water Licence has been issued to support the mine development and operation. The Relocation Action Plan (RAP) was developed, following extensive consultation with Project Affected People. The RAP has been approved. The Environmental Impact Statement and application to permit mine development and operation is at final review with the Ghanaian Environmental Protection Agency. We understand approval is imminent.

*What are the most important company catalysts for the next 6 to 12 months?*

Cardinal initiated an extensive program of engagement with financiers during Q1 2020. This process is now advanced, and we have several offers on the table. These are being actively evaluated and we expect to close a deal in the near term. From that point, we will complete the FEED, initiate the RAP and get the project site ready for construction. If all goes as planned, we will break ground in Q4 2020. That will put the Namdini Mine in line for its first gold pour in early 2023.

*How do you see the current situation on the market for precious metals?*

As a result of the Covid-19 pandemic, every G7 country has taken on an exceptional debt load and will therefore need to print money. This should translate to a significant uptick in the value of gold, as we move forward to 2021 and 2022. We note that many of the gold „pundits“ are calling for +\$2,000/oz.

**ISIN:** AU000000CDV9  
**WKN:** A1KBC9  
**FRA:** C3L  
**TSX:** CDV  
**ASX:** CDV

Shares outstanding: 493.7 m  
 Options: 33.7 million  
 Fully diluted: 527.4 million

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## Cardinal Resources Limited



# Condor Gold

## On the way to 5 million ounces of gold and an initial open pit production



Mark Child, CEO

Condor Gold is a British mining development company specialising in gold and silver projects in Nicaragua. It holds a 100% interest in the La India project, which already has a formal mining permit. La India is currently being developed to feasibility status. The project hosts over 2.3 million ounces of gold, which the company intends to double again if possible.

### Flagship project La India – location and infrastructure

Condor Gold's flagship La India project is located approximately 100 road kilometers from Managua, in western Nicaragua. Paved roads 26, 35C and 48 pass directly through the project site, the Pan America Highway is only 15 kilometres away. Electricity and water supply are in the immediate vicinity. La India covers a total of 587.7 square kilometers and covers 98% of the historic gold district of La India. The concession package includes the twelve contiguous concessions La India, Espinito-Mendoza, Cacao, El Rodeo, Real de la Cruz, Santa Barbara, La Mojarra, La Cuchilla, El Zacatoso, Tierra Blanca, Las Cruces and Los Cerritos, which were acquired between 2006 and 2019, either directly from the government or from other owners.

### Flagship project La India – Historical production and resources

La India is home to the historic La India gold mine of the same name, from which an estimated 576,000 ounces of gold were produced between 1938 and 1956, mainly by the Canadian mining company Noranda Inc. Up to and including 2017, Condor Gold has completed nearly 400 drill holes covering approximately 59,000 metres. In addition, more than 18,000 metres of trenches were drilled. In January 2019, the Company released the most recent resource estimate prepared in accordance with the Canadian NI 43-

101 resource calculation standard. According to this, La India currently has an Indicated Mineral Resource of 9.85 million tonnes at 3.6g/t gold for 1.140 million ounces of gold and 5.9g/t silver for 1.88 million ounces of silver and an Inferred Mineral Resource of 8.48 million tonnes at 4.3g/t gold for 1.179 million ounces of gold and 8.2g/t silver for 1.201 million ounces of silver. All resources are located within a 9-kilometre radius of La India's central project area.

### La India flagship project – exploration potential and resource expansion

The known resources consist primarily of approximately 675,000 ounces of gold from the La India Pit, as well as the La India Veins (1.32 million ounces), the America Veins (479,000 ounces) and the Mestiza Veins (311,000 ounces). Management expects that an additional 20,000 metres of drilling will generate additional resources of approximately 900,000 ounces of gold from the three vein areas. In addition, the resource in the pit area is still open down dip. In addition, the Andrea-Limones Corridor, which covers a length of approximately 12 kilometres, runs along the northern part of the concession area. Sampling there has already revealed 142g/t and 52g/t gold, among others. The Cacao target area in the eastern part of the concession area yielded 17 metres with 2.6g/t gold. In addition, samples with a gold content of over 5g/t gold were also found in other areas.

### Flagship project La India – Prefeasibility study

A pre-feasibility study prepared as early as 2013, which is initially based only on the extraction of the open-pit resource, an annual processing of 800,000 tonnes of rock and a gold price of US\$1,250, comes to a net present value (NPV) of US\$92 million and a re-



La India is located north of Nicaragua's capital Managua. Calibre Mining's unused La Libertad processing plant is located approximately 130 kilometres southeast of La India and could be used on a toll milling basis for faster cash flow generation. (Source: Condor Gold)

turn on investment (IRR) of 22%. An average of 79,300 ounces of gold per year could be mined over a mine life of 8 years. The processing plant, which has a daily processing capacity of 2,300 tonnes (tpd), would cost an estimated US\$110 million plus all other plant, infrastructure and equipment. All-in-sustaining costs were estimated at US\$690 per ounce of gold over the life of the mine. This would put La India in the lowest quartile and make it one of the most cost-effective gold mines in the world.

### Flagship project La India – Mine approval, production expansion and bankable feasibility study

In August 2018, Condor received an environmental permit for the development, construction and operation of a processing plant with a capacity of up to 2,800 tons per day and the associated mining infrastructure on La India. The company is currently working on a bankable feasibility study.

This should also include an expansion of production with entry. Condor Gold is currently

working on a permit to extract a further 500,000 ounces, mainly from satellite pits, in addition to the approximately 600,000 ounces included in the pre-feasibility study. These feeder pits are four pits that together contain a total of 287,000 ounces of gold, some of which are at higher grades than the La India Pit. For example, the Mestiza feeder pit has an average gold grade of 12.1g/t in the indicated category.

The aim is to expand production to 120,000 ounces per year over a total of 7 years. The addition of a higher average open pit grade of 5.5g/t gold from the satellite feeder pits to the mill feed from the approved La India open pit of 3.0g/t gold should result in improvements in NPV and IRR. The payback period could be shortened and the already low all-in-sustaining cash costs of US\$690 per ounce of gold as stated in the Prefeasibility Study could be reduced.

In a further step, the addition of underground resources is expected to result in an annual production of 150,000 ounces. Subject to financing, completion of a bankable feasibility study and completion of the final technical

## Exclusive interview with Mark Child, CEO of Condor Gold

designs, construction is expected to commence within 18 months of environmental permitting. Construction is expected to take 18 to 24 months.

To generate cash flow more quickly, there would also be the possibility of toll milling. Calibre Mining has a processing plant with a daily capacity of 2,000 tonnes that is currently unused. It is located about 130 kilometres southeast of La India and could be used by Condor Gold as long as they do not have their own on La India.

### Top management team

Condor Gold's management team has extensive experience in mineral exploration, project development and project finance, ensuring that the Company has the best possible opportunity to achieve exploration success and to take the La India Project through to a bankable feasibility study.

CEO Mark Child is mainly responsible for the consolidation of the La India District. He also raised the funding and developed the project to what it is today. Child has 20 years of experience in the equity markets, as an institutional broker and in corporate financing/private equity, mainly in emerging markets. At board level, Child's roles have included Managing Director of the Hong Kong listed Regent Pacific Group.

Non-Executive Director Jim Mellon is not only the largest Condor Gold shareholder (see below), but also a renowned fund manager. He started his career with GT Management in the USA and Hong Kong and later became co-founder and Managing Director of Thornton Management (Asia) Limited based in Hong Kong. He is co-founder of the Regent Pacific Group and Charlemagne Capital Limited.

Non-Executive Director Ian Stalker is a senior international mining executive with over 45 years experience in resource development.

He has managed over 12 major gold, base metal, uranium and industrial minerals projects in various phases and was CEO of UraMin from 2005 until its acquisition by Areva S.A. in 2007 for US\$2.5 billion. Prior to joining UraMin, Stalker was Vice President of Gold Fields Ltd. between 2001 and 2004, then the fourth largest gold producer in the world.

### Strong shareholder base

Condor Gold has a strong shareholder base. Condor Gold's Non-Executive Director Jim Mellon alone holds approximately 15.6% of all outstanding shares. This is followed by Nicaragua Milling Company Ltd with 10.4%, star investor Ross Beaty with 6.9% and CEO Mark Child with 4.4%. Another 4.3% is held by Oracle Investments, so that more than 40% of all outstanding Condor shares are in strong, long-term oriented hands.

### Summary: The match schedule is available

Condor Gold's CEO Mark Child has a clear match plan: The consolidation of the historic La India District has already been accomplished. A pre-feasibility study was carried out and was positive. A mining permit was granted, primarily for surface mining. What follows now is firstly a permit for further satellite pits, which will improve the economic indicators thanks to higher gold content, and a bankable feasibility study, which will take the last bit of residual economic risk from the project. Then comes the financing, which could succeed at an estimated US\$100 million cost of capital. After all, Condor Gold has several strong shareholders on board who have already successfully concluded larger deals. After that, up to two years of construction will be needed to quickly reach a production of over 100,000 ounces of gold per year. The general conditions are right at Condor Gold, and the big majors will certainly not have overlooked that.

### What have you and your company achieved in the past 12 months?

Following the grant of permits to construct and operate a mine producing 100,000 oz gold per annum, the focus in the last 12 months has been to significantly de-risk La India Project: offers have been made to buy all the surface rights, the tailings storage facility and surface water management system is being fully engineered and several engineering studies are being completed ahead of a construction decision.

### What are the most important company catalysts for the next 6 to 12 months?

We are permitting 2 high grade feeder pits, which will add over 200,000 oz gold at 5.1g/t gold. Once permitted approximately 1.1M oz gold will be permitted for extraction. We intend to break ground in Q4 2020 and provide a clear timetable for the construction period until the first gold pour.

### How do you see the current situation on the market for precious metals?

The US\$15Trillion of negative yielding debt, where it costs the holder to own the debt, will only increase as Central Banks and Governments globally continue with monetary and fiscal stimulus and QE infinity. The focus today is a health crisis. The focus in 12 to 18 months will be another euro crisis as Italian debt: GDP hits an unsustainable 170%, a sovereign debt crisis/default in Turkey and Brazil and junk bond, real estate crisis. This will support gold much higher, leading to more M&A and a refocus on undervalued juniors.

**ISIN:** GB00B8225591  
**WKN:** A1JZFM  
**FRA:** W5XA  
**TSX:** COG  
**AIM:** CNR

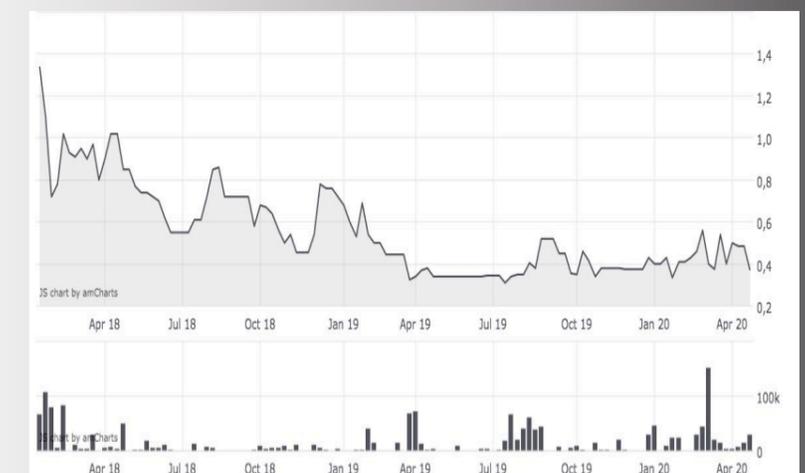
Shares outstanding: 95.2 million  
 Options: 9.8 million  
 Warrants: 13.3 million  
 Fully diluted: 118.3 million

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## Condor Gold Plc



# Discovery Metals

## One of the largest silver deposits in the world and star investor Sprott on board



Taj Singh, CEO

Discovery Metals is a Canadian mining development company focused on silver and silver-zinc-lead projects in northern Mexico and has one of the largest undeveloped silver deposits in the world. Within a few years, the company has discovered a silver resource of 595 million ounces in the Cordero showcase project alone, as well as significant gold, zinc and lead resources as by-products. In total, Discovery Metals' resource base amounts to over 1.5 billion ounces of silver equivalent!

### Flagship project Cordero – Resource

The Cordero Silver Project is located on the eastern edge of the Sierra Madre Occidental Mountains within the northern extension of the Central Mexican Silver Belt. The project is also located in one of Mexico's leading porphyry and carbonate replacement deposit districts and is similar to known nearby precious metal mines (e.g. Newmont Goldcorp Corporation's Peñasquito Mine) and projects (e.g. Orla Mining Ltd.'s Camino Rojo Project).

The bulk tonnage potential of the Cordero deposit was first identified and tested in 2009 by Levon Resources Ltd, which Discovery acquired in August 2019. The resource estimate for the project, captures a massive stock of silver-zinc-lead-gold, making it one of the largest untapped silver deposits in the world and providing exceptional leverage in a rising

silver market. Within this exceptional in-situ resource, Discovery has identified a compelling opportunity to delineate and expand areas of higher-grade silver created by the deposit.

Below in Table 1 is a sensitivity analysis showing the mineral resource with additional grade and tonnage information for higher cut-off grades. This table shows that a significant portion of the resource remains intact at significantly higher cut-off grades.

### Flagship project Cordero – A new higher-value approach

Within the Cordero drill database there are 285 individual intervals with AgEq values above 500g/t and 1,416 individual intervals with AgEq values above 200g/t. A selection of examples of high-quality intervals and the longest natural intervals with grades above 200g/t AgEq at Cordero are shown in Table 2 and Table 3 respectively. These two tables illustrate both the high grade selective (underground) and high-grade bulk tonnage potential (open pit) of the project.

### Flagship project Cordero – Upcoming exploration plans

Despite the already huge resource, Cordero has additional resource potential that will be further investigated in the coming months.

The fact that the current resource is not yet fully delineated to the south, north, northwest and at depth has prompted Discovery Metals to recently commence further exploration campaigns. This has resulted in several spectacular drill results that the Company has been able to report for 2020. These include a 34.7 metre interval averaging 617g/t silver equivalent, including 3.7 metres averaging 2,524g/t silver equivalent. In addition, 2,153g/t silver equivalent over 1 metre was recovered. In addition, much thicker silver mineralization was intersected. These include a 105.9 metre interval averaging 188g/t silver and a 62.8 metre interval averaging 217g/t silver equivalent. Although the corona epidemic also affected drilling at Cordero, Discovery will drill tens of thousands of metres in 2020.

### There are currently six regional targets outside the Cordero deposit that require follow-up work and drill testing.

Historic mines and mining sites on Cordero date back to the 17th century. There are approximately 40 shallow vertical shafts with associated open entrances at Cordero, which generally develop outcrops, narrow (1-2 metres), high grade silver, zinc, lead and gold veins and high-grade skarn mineralization. The La Luz Mine was the largest mine and was active in the 1940s. Remains of a small six-cell flotation mill built by ASARCO are still in the La Luz Mine.

### Three advanced projects in the neighbouring state of Coahuila

In addition to the flagship Cordero project, Discovery Metals owns a 150,000-hectare property package in a large and historic mining area in the state of Coahuila, Mexico. The portfolio of three large, drill-ready projects and a variety of early-stage opportunities, all with shallow, high-grade silver-zinc-lead mineralization, is located in a premium

Hole	From (m)	To (m)	Length (m)	Ag g/t	Zn%	Pb%	Au g/t	AgEq' (g/t)
C10-66	256	258	2	3,230	11.4	2.3	0.08	3,878
C11-141	472	478	6	993	27.3	14.6	0.29	2,887
C12-251	230	232	2	1,150	7.7	20.4	0.52	2,779
C14-271	470	472	2	1,179	7.3	12.4	0.20	2,311
C10-29	122	126	4	925	4.1	19.9	0.21	2,002
C17-284	466	468	2	134	2.6	2.1	17.95	1,865
C10-39	72	74	2	732	14.0	7.5	0.53	1,738
C10-32	280	286	6	547	11.5	13.9	0.30	1,732
C11-139	72	76	4	846	1.5	16.7	0.71	1,639
C12-236	54	56	2	830	1.6	17.2	0.30	1,581

Hole	From (m)	To (m)	Length (m)	Ag g/t	Zn%	Pb%	Au g/t	AgEq' g/t
C14-267	216	272	56	68	3.6	1.0	0.14	292
C09-5	132	180	48	193	3.2	3.0	1.31	562
C10-26	224	264	40	167	2.3	2.2	0.47	398
C11-113	320	360	40	61	3.4	1.1	0.06	272
C11-165	428	466	38	56	2.7	2.2	0.11	277
C10-31	176	212	36	317	2.4	5.5	0.85	700
C10-39	44	78	34	92	1.4	1.3	1.50	322
C11-190	588	620	32	41	3.8	0.1	0.02	234
C14-275	112	140	28	180	2.4	1.3	0.09	353
C10-60	246	274	28	37	3.3	0.7	0.02	227

Table 2 (above):

Cordero project – Selection of historic high-grade intervals

Table 3 (below):

Cordero project – Selection of longest natural intervals > 200 g/t AgEq

AgEq (g/t) Cutoff	Tonnage & Grade within Mineral Resources Pit Shell							Total Contained Ag Mozs	Total Contained AgEq' Moz
	Class	Tonnes x1000	AgEq' g/t	Ag g/t	Zn %	Pb %	Au g/t		
15 (used in PEA)	Indicated	990,054	32	13	0.4	0.2	0.04	407.8	1022.0
	Inferred	282,217	56	21	0.8	0.3	0.04	187.5	513.5
25	Indicated	467,298	46	19	0.5	0.3	0.06	278.4	685.9
	Inferred	182,649	77	28	1.0	0.4	0.05	163.3	450.7
50	Indicated	99,217	95	40	1.0	0.6	0.11	128.4	302.8
	Inferred	100,003	112	41	1.5	0.7	0.06	131.1	360.3

Table 1:

Cordero resource summary – Cutoff grade sensitivity

untested strike length was identified and mapped. None of these projects have ever been drilled.

**Solid liquidity position – investor legend Eric Sprott on board**

At the end of 2019, Discovery Metals had a cash position of approximately CA\$24 million that can be easily used to fund extensive exploration in 2020 and beyond. The main reason for the high level of liquidity is a series of financings totalling CA\$28 million, which were completed in 2019. Investor legend Eric Sprott, the largest single shareholder (21% of all outstanding shares), contributed CA\$12.7 million alone. In addition, founders and management hold around 15% of all shares, with institutional investors holding around 20%.

**Summary: One of the largest silver deposits in the world offers a huge lever.**

Discovery Metals has one of the largest silver deposits in the world. Especially for investors expecting a rising silver price, the stock seems to be very interesting, because a rise in the silver price for Discovery Metals by only \$1 means a change in the value of silver of around \$600 million. The leverage of Discovery Metals is therefore enormous, and the project offers much more opportunities and potential for resource expansion. The Discovery Metals stock offers a very good risk/reward ratio, especially for investors who expect a significantly higher silver price in the medium term. In addition, the upcoming drill results should provide a continuous positive news flow.



(Source: Discovery Metals)

**Exclusive interview with Taj Singh, CEO of Discovery Metals**

**What have you and your company achieved in the past 12 months?**

Discovery has grown significantly and transformed over the past year. Our primary achievements of 2019 were: (1) the acquisition of Levon Resources and their flagship Cordero silver project; (2) raising C\$28M in two financings and bringing in Mr. Eric Sprott as a key shareholder; (3) beginning an aggressive

35,000 m drill program at Cordero in 4Q 2019 and subsequently releasing some of the best-ever intercepts (grade x width) from Cordero. We are now well funded and well positioned to continue to aggressively explore a world-class silver asset, Cordero, which currently ranks as one of the world's largest silver resources.

**What are the most important company catalysts for the next 6 to 12 months?**

Our near-term focus will be on Cordero, our flagship asset. We think we can drastically improve the economics of Cordero by optimizing it for the current metals price environment through drilling, resource modelling and engineering. Within the +1B tonne open-pit project, we believe there is a substantial high-grade core which can form the basis of a high-margin project at current silver prices. This high-grade project could be a stand-alone but could also be starter to an expanded, much larger project that would offer excellent leverage to a rising silver price.

**How do you see the current situation on the market for precious metals?**

We are bullish on the near and mid-term prospects for precious metals, in particular for silver as a safe haven in the current macro regime. Silver, similar to gold, should continue to enjoy positive investment flows in this

volatile macro environment where global economic growth is slowing down, and investors are become increasingly concerned about a potential recession and its negative implications on their portfolios.

We believe silver will outperform gold given its historical performance in a bull market (silver always outperforms gold in a bull market) and because the silver-to-gold ratio (now over 100:1) is lagging behind historic average levels (~60:1). A silver-to-gold ratio at historic levels assuming the current \$1,500 /oz gold implies a \$25 /oz silver price. This jump in silver price would effectively increase the value of Cordero by multiples of its value at current silver prices.

ISIN: CA25471U1003  
 WKN: A2DW38  
 FRA: 1CU  
 TSX-V: DSV

Outstanding shares: 210.2 million  
 Options: 15.1 million  
 Warrants: 34.6 million  
 Fully diluted: 259.9 million

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**Discovery Metals Corp.**



# Endeavour Silver

## Three mines in production, fourth planned



Bradford Cooke, CEO

Endeavour Silver is one of the largest silver producers in North America with listings in New York, Toronto and Frankfurt. In 2019, the company was able to produce a total of around 4.0 million ounces of silver and 38,907 ounces of gold from its Mexican mine facilities. Endeavour Silver was able to achieve commercial production for another mine in 2019 and plans to build a fourth (and then largest) mine once financing is secured.

### Guanaceví Silver Mine

Endeavour Silver's first Guanaceví facility, commissioned in 2004, consists of the Milache and Santa Cruz South mines. The processing capacity on Guanaceví is 1,200 tons of rock per day (tpd). Endeavour Silver mined a total of 2.2 million ounces of silver and 6,087 ounces of gold there in 2019. At the end of 2019, the reserves were 6.92 million ounces of silver equivalent and the resources (excluding lead and zinc) were 26.85 million ounces of silver equivalent. In June 2019, Endeavour Silver announced high grade drill results from the Porvenir Centro, Porvenir Norte and Santa Cruz veins. The Company encountered up to 1,831g/t silver equivalent in the Porvenir Norte area, up to 1,181g/t silver equivalent in the Porvenir Centro area and up to 3,903g/t silver equivalent within the Santa Cruz vein. In July 2019, the Company also announced the acquisition of exploration and exploitation rights to two properties adjacent to the Guanaceví Mine. Both properties include potential Endeavour orebody extensions. The 15-hectare El Porvenir property is adjacent to the operating Porvenir Norte mine and includes the upward extension of the Porvenir Norte orebody. The 40 hectare El Curso property is adjacent to the now closed Porvenir Cuatro mine and includes any potential northwest extension of the Porvenir Cuatro orebody. Porvenir Cuatro was previously Endeavour's highest grade mine in the district. Mining at Porvenir Cuatro ended in 2018 at the border of the El Curso property. The current access ramp from Porvenir Cuatro to Milache crosses the entire El Curso property, providing Endeavour with existing underground access and infrastructure to facilitate

exploration and development of El Curso. Endeavour Silver announced initial drill results from El Curso in November 2019. This was a real bull's eye. Amongst other things, 1,182g/t silver and 3.07g/t gold were detected over 5.1 metres. This also included the highest-grade silver mineralization, which amounted to 5,372g/t silver and 15.22g/t gold over 0.5 metres.

### Bolañitos Silver Mine

In 2007 Endeavour Silver Bolañitos went into operation. The processing capacity on Bolañitos is 1,600 tpd. In total, Endeavour Silver mined 624,942 ounces of silver and 14,779 ounces of gold in 2019. At the end of 2019, the reserves were 2.86 million ounces of silver equivalent and the resources were 13.36 million ounces of silver equivalent. In May 2019, Endeavour Silver announced spectacular drill results from the Plateros and San Miguel veins. The Company has encountered up to 1,903g/t silver equivalent in the Plateros area and up to 6,497g/t silver equivalent in the San Miguel area. This indicates a high-grade Blue-Sky potential for Bolañitos, which will be further investigated in the coming months.

### El Cubo Silver Mine

El Cubo was acquired in 2012 and had a processing capacity of 1,500 tpd. In total, Endeavour Silver mined 1.09 million ounces of silver and 10,464 ounces of gold there in 2019. The mine was shut down in late 2019.

### El Compas Silver Mine

In 2016 Endeavour Silver acquired the El Compas mining project for only US\$6.7 million in shares. In addition to the acquisition of the El Compas gold-silver mining operation proper, Endeavour Silver was also able to lease the nearby La Plata ore processing plant with an initial processing capacity of 250 tpd (expandable to 500 tpd). El Compas currently consists of the two El Compas and El Orito veins and over ten other exploration targets.

In total Endeavour Silver mined 104,377 ounces of silver and 7,577 ounces of gold there in 2019. By the end of 2019, El Compas had approximately 1.31 million ounces of silver equivalent reserves and 2.26 million ounces of silver equivalent resources.

Endeavour Silver began operating the mine in 2018 and reached commercial production status in mid-March 2019.

Drilling to date has intersected 4.70 metres of 239.55g/t gold and 1,333g/t silver, among others.

To extend the mine life, Endeavour Silver acquired two additional projects in June 2017 in close proximity to the El Compas Mine with a total area of 227 hectares. These contain several veins with proven grades of up to 1,300g/t.

### Terronera – Reserves/Resources

At the San Sebastian project acquired in 2010, Endeavour Silver quickly discovered high-grade silver-gold mineralization called Terronera, which now gives the project its name. The at least four large gold vein systems present there are each over three kilometres long. In 2017, Endeavour Silver announced further results from the La Luz Vein area. These included sensational high-grade areas such as 1,180 grams silver equivalent per tonne of rock over 1.7 metres, 1,485 grams silver equivalent per tonne of rock over 1.3 metres and 3,335 grams silver equivalent per tonne of rock over 0.2 metres. The highest concentration was a staggering 11,245 grams silver equivalent per tonne of rock! In June 2018, 861g/t silver equivalent was detected on a 21.2 metre interval. In total, Terronera had 70.96 million ounces of silver equivalent reserves plus 13.56 million ounces of silver equivalent resources at the end of 2019. Continued infill drilling has demonstrated grades of up to 18,000 grams of silver equivalent per tonne.

### Terronera – Prefeasibility study

In August 2018, Endeavour Silver released a renewed pre-feasibility study (PFS) for Terro-

nera. This is based on an initial production capacity of 750 tpd, which is to be increased to 1,500 tpd in the third year. The initial capital cost was estimated at US\$75.8 million. The planned expansion would cost a further estimated US\$39.2 million. Over the initial mine life estimated at 9.5 years, an average of 5.1 million ounces of silver equivalent per year is expected to be produced. At the underlying prices of US\$17 per ounce of silver and US\$1,275 per ounce of gold, a return on investment (IRR) of a strong 23.5% after tax was calculated. The Company is currently working on an improved pre-feasibility study.

### Terronera – Mine plans

The construction time for the mine could be only 12 to 16 months.

Mine construction within 12 to 16 months would be so quick because Endeavour Silver has its „own“ design and planning team. This team consists of the same project manager, the same Canadian engineering consultants and the same Mexican construction company that has been in place since 2010 for the expansion of Bolañitos and the commissioning of El Cubo, among others.

In June 2019 Endeavour Silver announced that it had received final approval for Terronera. Endeavour Silver plans to make a production decision for Terronera soon, secure financing and begin construction of the facilities. Terronera could go into production in late 2021 and become Endeavour Silver's next and largest mine.

### Development Project Parral

In 2016, Endeavour Silver acquired the Parral project for only US\$6 million in treasury shares. The Parral Project is located in the heart of the Parral River Valley, where several large veins extend over a length of eight kilometers and are up to 40 meters thick. Parral had a total resource of 38.44 million ounces of silver equivalent (excluding lead and zinc) at the end of 2019. There is also excellent potential for the discovery of new high-grade resources. Several high-grade drill results were re-

ported in 2017. These included a 0.6 metre interval of a staggering 13,117g/t silver! Endeavour Silver reported another high-grade drill success in May 2018, where it intersected up to 1,660g/t silver, 0.72g/t gold, 6.52% lead and 14.45% zinc over 2.3 metres at the San Patricio mineralization. In 2019, up to 3,770g/t silver was encountered in the Sierra Plata Mine area.

### Expansion of exploration in Zacatecas province

In September 2017, Endeavour Silver announced that it has secured the right to explore for and mine precious metals on Capstone Mining's 181-hectare Toro-del-Cobre concessions located above 2,000 metres above sea level. Capstone's concessions are located adjacent to Endeavour Silver's 75-hectare Calicanto concessions in Zacatecas, Mexico. The company is thus attempting to consolidate another project and make it fit for future production.

Speaking of Calicanto, Endeavour Silver was able to deliver absolute high-grade drill results for the core project in December 2017. Among other things, 0.5 metres were encountered with an incredible 16,350g/t silver equi-

valent! Recent drilling in July 2018 returned 3,450g/t silver equivalent over 0.2 metres.

### New projects in Chile

In early 2019, Endeavour Silver announced that it had secured a portfolio of potentially high calibre exploration projects in Chile. The three projects Aida, Paloma and Cerro Marquez are located in northern Chile and are scheduled to be drilled in 2019. Initially 5,500 metres are planned, with an option for a further 2,500 metres.

### Summary: Terronera will drastically reduce all-in costs

Endeavour Silver has already been able to bring a new mine, El Compas, to commercial production in 2019. Terronera could follow by the end of 2021, which would then be by far the company's largest mine. With the new El Compas mine and Terronera, the all-in-sustaining costs will be drastically reduced at the same time. The new projects in Chile, which provide additional exploration and resource potential, will be exciting.

completed additional engineering studies to further de-risk the project to become our next, largest and lowest cost core asset.

### What are the most important company catalysts for the next 6 to 12 months?

Endeavour can create shareholder value in four ways this year. Simply bouncing back from losing money to making money at our operating mines is our first priority. Advancing our two development projects, Terronera and Parral, towards feasibility and development to deliver the best organic growth profile in the silver sector is another catalyst. Drilling a new world class discovery in Chile is a bit higher risk but for much higher reward. And last but not least, acquiring brownfields properties adjacent to our existing mines to extend mine lives and boost production improves our sustainability.

### How do you see the current situation on the market for precious metals?

Wow, what a ride these last two months have been. Gold and silver had a strong start to the year, peaking at \$1685 and \$18.60 respecti-

vely in late February. The Covid-19 pandemic and subsequent market panic took both metals down to lows of \$1482 and \$12.50 by late March, but they have already bounced back in mid-April to \$1710 and \$15.50. Gold has clearly commenced a new bull market tied to deteriorating monetary conditions worldwide. Interest rates are near all-time lows and still falling, global debt is near all-time highs and still rising, and governments have no choice but to print money to get their economies working again thereby debasing fiat currencies. People are now asking me what is wrong with silver. The gold:silver ratio climbed to a cycle high of 125. But nothing is wrong with silver. Silver always lags gold at the start of a monetary cycle. But then investors rediscover the monetary value of silver and it outperforms gold by multiples. In the meantime, silver fundamentals look like they are setting up for a perfect storm. Three consecutive years of declining supply and continuing to decline, several years of rising industrial demand and continuing to rise, and a new disruptive technology in electric vehicles which could triple automotive demand over the next 10 years. I think the future for gold and silver is bright!

## Exclusive interview with Bradford Cooke, CEO of Endeavour Silver

### What have you and your company achieved in the past 12 months?

Endeavour Silver marked its 15th year as a silver producer in 2019. For most of those 15 years, Endeavour was both a growing and profitable company. However, 2019 was possibly the worst year ever in our operating and financial performance. Management made sweeping changes at each mine to increase production, decrease costs and return to profitability. At El Compas, we achieved commercial production at the end of Q1 last year. At

Guanacevi, production rose, and costs fell each quarter after the changes were made and we expect to complete that turn around in April this year. At Bolanitos, the changes were made in Q3 last year so it will take until Q3 this year to complete that turn around. At El Cubo, we suspended mining operations due to exhaustion of reserves in Q4 last year and are now evaluating alternatives to bring it back to production. At Guanacevi, Bolanitos and Parral, we discovered new mineralized zones to expand our silver resources. At Terronera, we received the final government permits and

ISIN: CA29258Y1034  
 WKN: A0DJON  
 FRA: EJD  
 TSX: EDR  
 NYSE: EXK

Shares outstanding: 141.7 million  
 Options/PSUs: 8.1 million  
 Warrants: -  
 Fully diluted: 149.8 million

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## Endeavour Silver Corp.



# First Majestic Silver

## Annual production of over 25 million ounces of silver equivalent from 6 mines



Keith Neumeyer, CEO

First Majestic Silver is a Canadian mining company with a clear focus on producing silver from Mexican mines. First Majestic Silver closed three smaller, unprofitable mines (temporarily) in 2019 and is now aggressively pursuing the development of the three remaining highly profitable mines and exploration projects. In 2019, the company produced 25.56 million ounces of silver equivalent (including all by-products), which was a new company record.

### San Dimas Silver/Gold Mine

The San Dimas silver/gold mine is by far the largest mine of First Majestic Silver. It has a daily processing capacity of 2,000 tons. In 2019, a total of approximately 13.8 million ounces of silver equivalent were produced there at all-in costs of less than US\$7.26 per ounce. San Dimas had Measured and Indicated resources of 137.1 million ounces of silver equivalent (including 101.3 million ounces of silver equivalent reserves) and inferred resources of 118.8 million ounces of silver equivalent at the end of 2019. The Company is currently engaged in a major modernization program, primarily involving the mill, filtration facilities, smelting operations and mines. Among other things, a 3,000tpd High Intensity Grinding (HIG) mill is to be installed this year, which will use rotating grinding discs with ceramic balls to finely grind ore down to 20 microns, which has been shown to significantly increase the recovery rate. HIG mills are characterized by low energy consumption and lower maintenance requirements compared to standard ball mills. Since the takeover of the mine in early 2018, production costs have already been reduced by 20%. The re-commissioning of the formerly producing Tayoltita Mine is planned for 2020.

### Santa Elena Silver Mine

The Santa Elena Silver Mine has a daily processing capacity of 3,000 tons. In 2019, a to-

tal of approximately 6.3 million ounces of silver equivalent were mined there at an all-in cost of US\$3.02 per ounce. By the end of 2019, Santa Elena had Measured and Indicated resources of 57.8 million ounces of silver equivalent (including 21.5 million ounces of silver equivalent reserves) and inferred resources of 46.4 million ounces of silver equivalent. First Majestic currently has a total of three HIG mills installed on Santa Elena. Two 3,000 tpd units were delivered in 2019 and a third unit has been ordered for 2020.

### Santa Elena – Ermitano satellite project

In addition, the Company is working on the development of the Ermitano project, which is located only 4 kilometers from the Santa Elena facility. This project currently hosts approximately 67 million ounces of silver equivalent, with gold grades far higher than silver grades. The project is fully approved and is expected to commence production in 2021. A pre-feasibility study is planned for late 2020. First Majestic Silver recently reported spectacular drill results from Ermitano. These included 13 metres at 1,003g/t silver equivalent, 7.7 metres at 1,462g/t silver equivalent and 2.4 metres at 3,068g/t silver equivalent. Ermitano could both increase Santa Elena production and further reduce all-in costs.

### La Encantada Silver Mine

La Encantada, an almost 100% silver mine, has a daily processing capacity of 3,000 tons. In 2019, a total of approximately 3.1 million ounces of silver equivalent were produced there at an all-in cost of US\$13.90 per ounce. La Encantada had Measured and Indicated resources of 32.0 million ounces of silver equivalent (including 23.8 million ounces of silver equivalent reserves) and inferred resources of 15.5 million ounces of silver equivalent at the end of 2019. First Majestic Silver is currently working to modify the roasting

circuit for tailings recycling, which is expected to generate 1.5 million ounces of silver per year of additional production.

### La Parrilla Silver Mine

The La Parrilla silver mine has a daily processing capacity of 750 tons. In the first half of 2019, a total of around 861,000 ounces of silver equivalent was mined there, most recently at all-in costs of over US\$21 per ounce. La Parrilla had Measured and Indicated resources of 11.0 million ounces of silver equivalent and inferred resources of 13.3 million ounces of silver equivalent at the end of 2019. First Majestic installed microbubble flotation columns in the second quarter of 2019 to improve the recovery of silver, lead and zinc. Further test runs are planned for 2020. The 69,478-hectare concession area with several old mines offers ample opportunity for additional resources, which is expected to be confirmed by a drill program in 2020. The La Parrilla Silver Mine is currently in maintenance and conservation mode. The Company is attempting to bring the plant back on stream through the discovery of new, profitable resources and the possibility of toll milling for third parties.

### Del Toro Silver Mine

The Del Toro silver mine has a daily processing capacity of 350 tons. In the first half of 2019, a total of around 235,000 ounces of silver equivalent were produced there, most recently at all-in costs of over US\$36 per ounce. Del Toro had an indicated resource of 10.7 million ounces of silver equivalent and inferred resources of 10.5 million ounces of silver equivalent at the end of 2019. The Del Toro Silver Mine is currently in maintenance and preservation mode. The Company will conduct an expanded drill program in 2020 to discover additional resources.



First Majestic owns three producing mines in Mexico. Four additional mines are in care and maintenance mode. (Source: First Majestic)

### San Martin Silver Mine

The San Martin Silver Mine has a daily processing capacity of 900 tons. In the first half of 2019, a total of around 783,000 ounces of silver equivalent were mined there, most recently at all-in costs of over US\$ 21 per ounce. San Martin had an Indicated Resource of 9.0 million ounces of silver equivalent and an Inferred Resource of 17.6 million ounces of silver equivalent at the end of 2019. San Martin has approximately 38,500 hectares and therefore has further exploration potential. The San Martin Silver Mine is currently in maintenance and conservation mode but could be brought back into production this year.

### La Guitarra Silver Mine

The La Guitarra silver mine has a daily processing capacity of 400 tons and is currently in maintenance and preservation mode. The La Guitarra claims cover an area of more than 39,000 hectares.

### Development projects well advanced

In addition to the profitable mines, First Majestic has several development projects, two of which are particularly advanced.

The La Luz Project is located in the Mexican state of San Luis Potosí, covers 6,300 hectares and hosts historical resources totaling 32.8 million ounces of silver.

The Plomosas Project is located in the Mexican state of Sinaloa, covers approximately 8,500 hectares and hosts historical resources of approximately 10 million ounces of silver equivalent.

### Mastermind Keith Neumeyer

Behind the rapid development of First Majestic Silver is its CEO Keith Neumeyer. Neumeyer's successes are legendary. He led First Quantum Minerals from the ground up to a market capitalization of several billion US\$. At its peak, the First Quantum share reached a price of almost US\$ 30, which, with an initial price of US\$ 0.50, represents a huge price gain. The issue price of the First Majestic Silver share was once CA\$ 0.16. The high was around CA\$ 24. Calculate what profit the investors of the first hour were able to make with it. Neumeyer's third creation is First Gold, a holding company specializing in com-

modities projects, whose business activities consist primarily of acquiring high-quality assets, primarily on the American continent. The company was launched about two years ago and has already achieved a profit of almost 200% at its peak.

### Summary: 2020 lower, but more profitable production

At First Majestic Silver, the company had clearly set itself the goal of achieving a production of 25 million ounces of silver in 2019, which it was ultimately able to just about exceed. In 2020, production will be slightly lower, mainly due to the effects of the corona virus, but also due to the closure of unprofitable mines. A positive side-effect is that the company will become much more profitable overall. The company is working hard on modernization measures in all mines, which focus not only on increasing production, but also on the use of environmentally friendly energy generation.

All in all, First Majestic Silver is very well positioned. In mid-April 2020, the company had approximately US\$ 169 million in cash or cash-like investments. First Majestic Silver remains the number one mid-tier silver producer in Mexico and was even able to strengthen its position with the San Dimas acquisition.

Successfully installed in July of 2019, the HIG mill at Santa Elena has significantly improved silver and gold recoveries to a new record high of 94% and 96%, or 5% higher on average.

### What are the most important company catalysts for the next 6 to 12 months?

Major catalyst for First Majestic over the coming months include:

- ▶ Higher silver recoveries expected at San Dimas following the installation of high-intensity grinding (HIG) mill and autogenous (AG) mill
- ▶ Converting Santa Elena from diesel to LNG in Q4 2020 to reduce energy costs
- ▶ Restart of mining operations in the past producing Tayoltita mine at San Dimas in Q2 2020
- ▶ Continued Resource expansion potential at Santa Elena's Ermitaño project – Pre-Feasibility study expected in Q4 2020
- ▶ Continued improvements in metallurgical recoveries through implementation of microbubbles, fine grinding & other R&D

### What can shareholders look forward to in 2020?

In 2020, First Majestic will continue to focus on improving recoveries and lowering costs by investing in projects with high rates of return. In addition, a 3,800-metre development program is currently underway at Santa Elena to access the high-grade Ermitaño deposit. This new ore body is expected to see initial production in early 2021 and will ramp up by the end of the year. Finally, the Company continues to focus on creating value through accretive silver acquisitions and divestures of its non-core assets in Mexico.

ISIN: CA32076V1031  
WKN: A0LHKJ  
FRA: FMV  
TSX: FR  
NYSE: AG

Shares outstanding: 209.5 million  
Options: 8.8 million  
RSUs/PSUs: 0.3 million  
Fully diluted: 218.6 million

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## Exclusive interview with Keith Neumeyer, CEO of First Majestic Silver

### What have you and your company achieved in the past 12 months?

Within the last twelve months the company has continued to focus on driving costs down with the implementation of innovative technologies. These technologies include automated lime feed, mill and grind optimization, as well as fine grinding to name a few.

An example of this is the installation of the

high intensity grinding mill (HIG mill) at the Santa Elena mine. A HIG mill is a tall cylindrical unit that stands vertically as opposed to a traditional horizontal ball mill. Within the housing of the mill there are a series of disks that spin at highspeed much like how a typical household blender works. This movement combined with ceramic beads helps grind ore to sub-80 microns, or smaller than a human hair.

## First Majestic Silver Corp.



# GoldMining

## Upgrading for the next gold boom



Garnet Dawson, CEO

GoldMining is a Canadian mining development company focused on prospective gold projects in North and South America. As a so-called mineral bank, its business model consists of buying up high-calibre projects at the most favourable conditions during bear markets and selling them at the highest possible price during bull markets or generating development partners for them. GoldMining currently holds a total of 16 projects in its portfolio.

### Almost 23 million ounces of gold on the credit side

GoldMining has made several high-profile acquisitions in recent years and has a resource base of nearly 23 million ounces of gold. Including all other commodities, namely silver and copper, GoldMining's projects have a resource base of more than 28.3 million ounces of gold equivalent. The most important projects are presented below.

### Para State Projects – Brazil

7 projects are located within or just outside the Brazilian state of Para State. 4 of these already have a combined resource base of 2.41 million ounces of gold.

With 715,000 ounces of gold in the indicated category and 1.035 million ounces in the inferred category, Sao Jorge is the leader of the Para State Projects. It is an open pit project with average indicated grades of 1.54 grams of gold per tonne of rock (g/t). Although 145 diamond drill holes have been drilled to date, approximately 80% of the property has not yet been evaluated for resources.

Cachoeira has 692,000 ounces in the indicated and 538,000 ounces in the inferred category and a total of three separate deposits in the western license area. However, the eastern portion of the shear zone has not yet been adequately explored. The 285 holes drilled to date have been advanced to an average length of 100 metres. This results in a high

exploration potential for Cachoeira at depth. The other 5 projects have only been sporadically explored for gold to date, with no resource estimate available for three of them. Para State has an excellently developed infrastructure. Furthermore, the state has a very low corporate tax rate of only 15.25%. For comparison: most other Brazilian states charge 34%. So, there is a very good environment for interested development companies.

### Titiribi Gold Project – Colombia

From north to south, the so-called Mid-Cauca Belt runs right across Colombia. This is considered one of the most prospective gold belts in the world and has yielded finds of around 100 million ounces of gold in the past 10 years alone. The entire gold belt is nevertheless considered under-explored compared to other regions of South America. Recently, major gold companies made several investments in corresponding projects in the Mid-Cauca Belt. For example, Newmont, which invested 100 million dollars in Buritica. The two gold-copper porphyry and epithermal gold deposits Titiribi and La Mina are located about 100 kilometres south-west of Medellin and are 100% owned by GoldMining. They are connected to an excellent infrastructure and already house offices, drill core storage and a power supply. The two deposits have a combined total of 5.3 million ounces of gold, 1.6 million ounces of silver and 800 million pounds of copper in the measured and indicated category and 3.5 million ounces of gold, nearly 700,000 ounces of silver and 151 million pounds of copper in the inferred category. Several drill sites have been identified but have not yet been further explored for the respective deposits.

### Crucero Project – Peru

The Crucero Project is located in the very southeast of Peru, within the so-called Orogenic Gold Belt and comprises three mining

and five exploration licenses on 4,600 hectares. The A1 deposit contains at least 993,000 ounces of gold in the indicated category and 1.147 million ounces in the inferred category. In addition, the project has high exploration potential as several other targets have not been drill tested to date.

### Yellowknife Gold Project – Northwest Territories, Canada

The Yellowknife Gold Project consists of several properties (Nicholas Lake, Ormsby, Goodwin Lake, Clan Lake and Big Sky) that cover portions of the Yellowknife Greenstone Belt from 17 to 100 kilometres north of the city of Yellowknife. The Yellowknife Greenstone Belt is believed to have produced over 15 million ounces of gold from the Con, Giants and Discovery mines in the past. The Discovery Mine, located on the Ormsby property, was operated from 1950 to 1969 and is reported to have historically produced 1 million ounces of gold at an average grade of 28 g/t gold. Gold Mining's project areas have historically invested over \$60 million in exploration, underground development and camps. Right next to the Discovery Mine are the two high grade target areas of Ormsby and Bruce, approximately 10 kilometres from the Nicholas target area. In March 2019 GoldMining was able to present its first own resource estimate for Yellowknife. According to this, the project has at least 14.1 million tonnes of rock with an average of 2.33g/t gold (equivalent to 1.059 million ounces) in the indicated category and 9.3 million tonnes with an average of 2.47g/t gold (739,000 ounces) in the inferred category. In April 2019, GoldMining received a five-year Type B Water Licence and Type A Land Use Permit for the Nicholas Lake-Ormsby property. These permits allow the Company to conduct advanced exploration work including core drilling, underground development work and to operate the existing camp, runway and winter road. In addition, two existing Land Use Permits on the Goodwin Lake and Clan Lake properties have been extended for two years.

### Whistler Project – Alaska, USA

The Whistler Project is located approximately 150 kilometers northwest of Anchorage and has a runway and access to the Donlin Gas Pipeline. The 170 square kilometre project is district in character and hosts several near-surface porphyry deposits. Whistler's current resource base consists of 1.77 million ounces of gold and 343 million pounds of copper in the indicated category and 4.63 million ounces of gold and 713 million pounds of copper in the inferred category. There is also significant potential for high grade epithermal mineralization. Although 70,000 metres have already been drilled, some areas are still poorly explored. Several areas need to be explored in more detail, including one area that in previous drilling returned 435.2 metres averaging 0.72g/t gold and 0.12% copper.

### Yarumalito Project – Colombia

In December 2019, GoldMining completed the acquisition of the Yarumalito Gold Project in Colombia. This project is located approximately 60 road kilometres south of Titiribi and covers 1,453 hectares. To date, 55 drill holes totaling 18,540 metres have been completed on the project acquired from Newrange Gold. Several intercepts of high gold grades have been identified. Approximately 2.10 metres at 12.67g/t gold and 1.85 metres at 33.75g/t gold. More importantly, however, the low-grade, long intervals of 257 metres at 0.51g/t, 250 metres at 0.51g/t and 141.4 metres at 0.77g/t gold indicate the presence of a high gold-bearing tonnage. And this right from the surface! GoldMining is currently working to prepare a technical report, confirm historical drilling and publish a resource estimate.

### Almaden Project – Idaho/USA

In March 2020, GoldMining completed the acquisition of the Almaden Gold Project, located in west-central Idaho. It covers 1,724

hectares and is located approximately 140 kilometres north of Boise. To date, over 70,200 metres of drilling have been completed on the project. The existing gold mineralization is associated with intense silicification and argillic alteration, which is approximately 1,900 metres long, 500 metres wide and 150 metres thick. Next targets are a technical report and resource estimate.

**Rea Uranium Project – Alberta, Canada**

Another potential trump card is the Rea Uranium project in the western part of the Athabasca Basin, currently the hottest uranium hot spot in the world. With its 125,000 hectares, it has district potential. It encloses Orano’s (ex-AREVA) high-grade Maybelle deposit, which has already produced 17.7% U3O8 over 5 metres. Orano is actively engaged in the exploration of the Maybelle Project. GoldMining owns 75% of Rea, while Orano holds the remaining 25%.

**Summary: High leverage on the gold price**

Since its inception in May 2011, GoldMining has been able to build a substantial portfolio of projects that collectively add up to over 28.3 million ounces of gold equivalent. The projects have not even been fully explored, with some of the deposits not yet delineated in multiple directions and at depth. GoldMining’s successful management team is also working on further acquisition opportunities that should be feasible with a cash position of over CA\$8 million (CA\$5.5 million alone comes from the redemption of warrants in January 2020). As the price of gold continues to rise, GoldMining should also be able to sell projects or find development partners for them. The Rea uranium project could prove to be a particular trump card, as it encompasses one of the most promising uranium projects of the uranium giant Orano and has not even been rudimentarily investigated for its own uranium deposits. There is the possibility that, if the price of uranium continues to rise, it could be spun off into a separate company and thus become a kind of dividend for the shareholders. Speaking of shareholders: about 60% of the outstanding shares are in firm, institutional hands, which hedges the share price downward.

ved a cash injection of approximately \$5.55 million with the exercise of warrants in January 2020, which along with existing cash left the Company with \$8.6 million in the treasury as of the Company’s filing for the quarter ended Feb. 29, 2020. These funds will be sufficient to maintain and advance our portfolio into 2021.

GoldMining’s global gold resource totals 10.5 million ounces in the measured and indicated categories and 12.4 million ounces in the inferred category. Global gold equivalent resource reflecting a large copper bi-product credit in several of our deposits, totals 13.4 million ounces in the measured and indicated categories and 14.9 million ounces in the inferred category. The above numbers will increase with the upcoming addition of the Yarumalito and Almaden resource estimates.

**What are the most important company catalysts for the next 6 to 12 months?**

- ▶ Yarumalito and Almaden technical reports and associated mineral resource estimates expected to be completed in Q2 2020.
- ▶ Announce the potential acquisition of one or more resource- or development-stage gold or gold-copper projects.

- ▶ Receive Preliminary Environmental License from regulatory authorities in Brazil for the Cachoeira project.

**How do you see the current situation on the market for precious metals?**

Gold saw a sharp price increase in the past year from May 2019 levels of \$1,275 to the recent peak of \$1,727 and is up roughly 11% from the start of 2020. GoldMining stock is up roughly 13% year-to-date. We believe this increase is largely a function of easing monetary policy and the move towards real negative interest rates, continued trade wars between China and USA, and uncertainty associated with a slowing world economy due to the Corona virus. As a result, some investors are withdrawing from the stock market and seeking safe haven in gold bullion and equities. Coupled with unprecedented buying by central banks and the lack of investment in exploration over the last six-year bull market, we are optimistic that gold will maintain or increase in price over the next year once the Corona virus is under control.

**Exclusive interview with Garnet Dawson, CEO of GoldMining**

**What have you and your company achieved in the past 12 months?**

GoldMining continues to review resource- and development-stage projects to expand our already large, diversified portfolio of gold and gold-copper projects located across five countries in the Americas. In late 2019, we announced the acquisition of the Yarumalito Project, our third acquisition in the Mid Cauca Belt of Colombia. Yarumalito hosts gold-cop-

per porphyry and epithermal gold mineralization with good potential to increase in size outside the area of historic drilling. This transaction was quickly followed up with the acquisition of the Almaden Project, a low sulphidation epithermal gold-silver deposit located in Idaho. Both projects have significant historic drilling with updated technical reports including mineral resource estimates being prepared by an independent qualified person. On the Corporate front, the Company recei-

**ISIN:** CA38149E1016  
**WKN:** A2DHZ0  
**FRA:** BSR  
**TSX:** GOLD

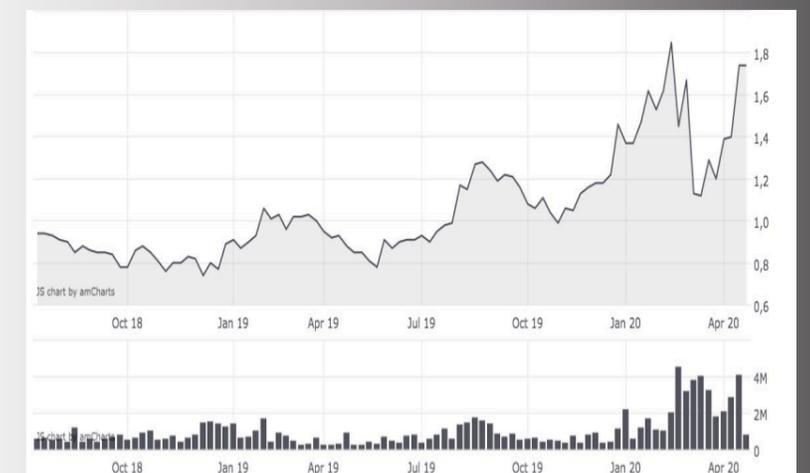
Shares outstanding: 145.4 million  
 Options: 11.5 million  
 RSUs: 0.2 million  
 Fully diluted: 157.1 million

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 Vancouver, BC V6E 2Y3, Canada

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 www.goldmining.com

**GoldMining Inc.**



# MAG Silver

Highly profitable silver production from mid 2020,  
incredible exploration potential,  
\$60 million cash injection from Spratt



George Paspalas, CEO

MAG Silver is a Canadian development company with a clear focus on silver in Mexico. The company is preparing to bring its Juanicipio project into production with mega-partner Fresnillo in the second half of 2020. Continual new discoveries only give an indication of the extent of further silver potential. Recently, commodity legend and star investor Eric Spratt has also come on board.

## Juanicipio Silver Project – Shareholdings + Infrastructure

The Juanicipio project is 44% owned by MAG Silver and 56% by Fresnillo, one of the largest silver producers in the world, which operates several other mega-projects directly adjacent to Juanicipio. Within the Fresnillo Silver trend, Juanicipio is virtually surrounded by high-profile mining projects, which to date have produced more than four billion ounces of silver and thus more than 10% of total global silver production. Due to its proximity to the town of the same name, Fresnillo, Juanicipio is directly integrated into a very well-developed infrastructure.

## Juanicipio Silver Project – Resource

The project, which consists of several, but first and foremost the so-called Valdecanas vein, hosts within the Bonanza Zone current resources of approximately 8.17 million tonnes of ore at 550g/t silver for 145 million ounces of silver in the indicated category and 1.98 million tonnes of ore at 648g/t silver for 41 million ounces of silver in the inferred category. In addition, approximately 848 million pounds of zinc and lead are in the indicated category. The Deep Zone has 4.66 million tonnes of ore at 209g/t silver for 31 million ounces of silver in the category indicated and 10.14 million tonnes of ore at 151g/t silver for 49 million ounces of silver in the category inferred. To this must be added an additional 790 million pounds of zinc and lead in the in-

ferred category and 1.73 billion pounds of zinc and lead in the inferred category. Juanicipio also contains over 1.5 million ounces of gold homogeneously distributed in the mineralized system. A true monster resource, yet the known resource is still open on several sides, far from being fully delineated. Juanicipio also hosts additional parallel veins that have not been explored at all to date. It should be noted that the last resource estimate was made in 2017 and since then, further significant discoveries have been made, so that a higher resource base can already be assumed.

## Juanicipio Silver Project – Positive economic study

The very high grades are also the main reason why Juanicipio will become a low cost mine. According to the latest economic feasibility study (PEA) from November 2017, based on a silver price of US\$17.90 per ounce, a gold price of US\$1,250 per ounce, a zinc price of US\$1.00 per pound and a lead price of US\$0.95 per pound, as well as a daily production rate of 4,000 tonnes and a mine life of 19 years of all-in-sustaining cash costs of US\$5.02 per ounce silver equivalent. The payback period for this scenario is 1.8 years, the after-tax net present value (NPV) is US\$ 1.138 billion and the after-tax return on investment (IRR) is a very strong 44%. Even for much worse underlyings of US\$14.50 per ounce of silver, US\$1,000 per ounce of gold and US\$0.75 per pound of zinc and lead, Juanicipio still shows very good economic ratios. The payback period for this scenario is 2.6 years, the after-tax net present value is US\$ 635 million, and the after-tax profitability is 30%. For higher prices of US\$ 23 per ounce of silver, US\$ 1,450 per ounce of gold, US\$ 1.15 per pound of lead and US\$ 1.20 per pound of zinc, this results in a payback period of 1.2 years, an after-tax NPV of US\$ 1.729 billion and an after-tax IRR of 61%.

## Juanicipio Silver Project – Expansion Progress + Purchase Agreements

The Juanicipio Mine will be an underground mine, which is why the partner Fresnillo is currently working on several ramps measuring 5 by 5 meters to develop the first silver deposits. In total, more than 25 kilometres of ramps and galleries have been driven into the rock to date. Work has also begun on the surface. Long-term plant components have been ordered, most of which have already been delivered and will be installed accordingly. In addition, an operator agreement was concluded during the project approval process, which will come into force when commercial production begins. In addition, the partners have concluded both lead and zinc purchase agreements under which both concentrates are traded at market conditions by Met-Mex Peñoles, S.A. De C.V., in Torreón, Mexico.

## Juanicipio Silver Project – Exploration and production expansion potential!

Juanicipio has an unprecedented exploration potential, which is why the currently planned 4,000 tons per day processing capacity could well be increased. Looking at the immediate vicinity of the joint venture area, it is easy to see that Fresnillo has identified several more ore veins to the east of it. These run parallel to the Valdecanas and Juanicipio mineralizations and are likely to extend into the joint venture area.

## Juanicipio Silver Project – Recent drilling success

Since 2017, the Company has reported several times that significant silver/gold mineralization has been encountered in drilling to expand the Valdecanas Deep Zone West.

The best results were:

- ▶ WEST DEEP ZONE: 11.6 metres grading 783g/t silver, 2.57g/t gold, 6.52% lead, 9.46% zinc, 0.32% copper.
- ▶ DEEP ZONE EAST: 5.20 metres grading 333g/t silver, 16.87g/t gold, 4.47% lead, 3.77% zinc, 1.04% copper, including 1.44 metres grading 854g/t silver, 54.67g/t gold, 3.21% lead, 2.72% zinc, 2.28% copper
- ▶ ANTICIPADA VEIN: 5.60 metres grading 177g/t silver, 7.36g/t gold, 2.39% lead, 6.31% zinc, 0.12% copper, including 3.15 metres grading 283g/t silver, 12.62g/t gold, 3.62% lead, 8.42% zinc, 0.17% copper.

MAG Silver was able to demonstrate higher grades of gold and some sort of shift from silver to higher grades of copper, lead and zinc.

In addition, a parallel mineralization called Pre-Anticipada has been identified. This contained up to 3.2 metres of 472g/t silver, 0.31g/t gold, 0.39% lead, 0.43% zinc and 0.03% copper.

In March 2019 the discovery of the Venadas Vein was announced. This is the first mineralized vein in the Fresnillo District that is oriented at a high angle (northeast) to the historically mined northwest oriented veins. Drilling returned up to 1,485g/t silver and up to 25.10g/t gold.

In March 2020, a further bull's eye was reported in the deep zone. A sensational 3,884g/t silver, 8.4g/t gold, 6.5% lead and 9.7% zinc were encountered within a 5.7 metre interval. Altogether, only about 5% of the entire project area was examined for resources!

## Very good financial resources, mine start planned for 2020

At the end of 2019, the company had approximately US\$ 72 million in cash. Since this will not be quite enough to fully cover the capital costs of building the mine and the facilities, it





was decided in April 2020 to bring raw materials legend and star investor Eric Sprott on board. He bought MAG shares to a total value of CA\$60 million, so that the financing of the mine is now fully secured. If the construction work continues to progress as quickly as before, the first rock production is expected in the second half of 2020. Initially, the rock will be processed in Fresnillo's neighboring plant before the mine's own plant starts operations in mid 2021. MAG Silver expects to reach 85% of full capacity by the end of 2021 and up to 95% by the end of 2022.

### Strong shareholder structure, low free float!

The very strong and committed shareholders should ensure that this will also succeed. Overall, more than 75% of all MAG Silver shares are held by institutions or institutional investors. The 15 largest individual investors hold 55% of all shares. This also means that only about 25% of all outstanding shares are in the hands of private investors as free float. In recent years, this has given the stock a degree of relative strength that has only been seen in very few precious metal stocks. Especially the large institutions should continue to provide MAG Silver with sufficient fresh capital - if at all necessary.

### Experienced and successful management team

MAG Silver has a very successful management team.

## Exclusive interview with George Paspalas, CEO of MAG Silver

### What have you and your company achieved in the past 12 months?

There have been a number of significant results achieved for MAG during the past 12 months.

President & CEO George Paspalas has served as CEO & President of Placer Dome and several other companies, where he developed complex surface and underground mines on four continents.

Chief Exploration Officer Dr. Peter Megaw was in charge of a number of new discoveries in Mexico. He is also called the Silver Pope of Mexico. CFO Larry Taddei led West Timmins Mining Inc. to a \$420 million acquisition by Lake Shore Gold Corp.

### Summary: The step towards becoming a producer is imminent

MAG Silver, together with Fresnillo, owns one of the world's highest-grade silver deposits, Juanicipio. Mine construction is already well advanced so that silver production can be fully commenced as planned in the second half of 2020. The partner Fresnillo already operates a mega-project right next door and can make a valuable contribution to the rapid commissioning of the Juanicipio project, both in terms of infrastructure and mining expertise. MAG Silver has now eliminated almost all project risks. High grades, very well financed, minimal political and development risks, a very good metallurgy as well as access to sufficient energy and water and the connection to the existing infrastructure near Fresnillo leave little room for downside potential. On the other hand, the upside potential is all the greater, with the possibility of further parallel mineralization trends and expansion opportunities in depth. The recent entry of Eric Sprott should provide additional momentum, as it secures the entire mine financing.

Firstly, was the March 2019 announcement of the discovery of the North-East trending Venadas veins on the Juanicipio joint venture property. These are the first veins found in this prolific area with this orientation, and we are confident of additional North-East structures

being discovered in the area. Importantly, these structures run through the Valdecanas veins, exactly where we will be mining for the next +20 years, hence they represent very high value discoveries to MAG.

Secondly was the April 2019 joint announcement with our Juanicipio partner Fresnillo PLC that the joint venture had made the final approval decision to commence the construction of the process facility and bring the Juanicipio project on-stream at the end of 2020. Then we announced in March 2020 that the underground mine was going to enter into commercial production in the second half of 2020, and that the Joint Venture will sell mineralized material to Fresnillo for processing. This will realize cash flow for the Joint Venture, and hence MAG before the flotation plant starts up mid 2021.

### What are the most important company catalysts for the next 6 to 12 months?

Ongoing exploration success at the Juanicipio joint venture property, monetizing some of the pre-production mining material to Fresnillo, and construction progress on the Juanicipio process facility.

**ISIN:** CA55903Q1046  
**WKN:** 460241  
**FRA:** MQ8  
**TSX:** MAG  
**NYSE MKT:** MAG

Shares outstanding: 91.0 million  
 Options: 2.2 million  
 Fully diluted: 93.2 million

### Contact:

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 Vancouver, BC, V6C 2V6, Canada

Phone: +1 604-630-1399

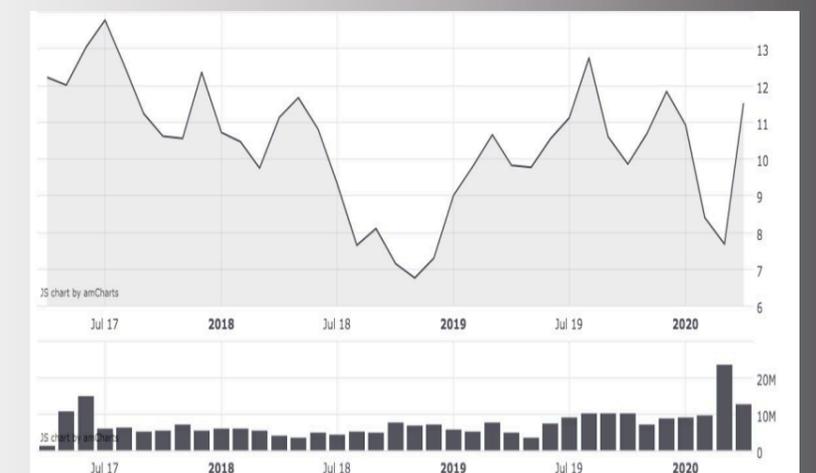
info@magsilver.com  
 www.magsilver.com

### How do you see the current situation on the market for precious metals?

Very positive regarding the short-, medium- and long-term price for precious metals. Given multiple points of global economic uncertainty, I do believe gold will benefit from this - silver will follow. Additionally, due to shrinking silver metal supply, amid increasing new industrial uses for silver, I do believe the silver price has the potential to outperform gold in the medium term.

The fiscal stimulus injected into global economies as a result of the COVID virus pandemic far exceeds the Global Financial Crisis stimulus of 2008/09. The first equities to respond from the 2008 crisis were precious metals, and we are expecting the same post the COVID crisis.

## MAG Silver Corp.



# Osino Resources

## Top management meets top gold projects and star investor



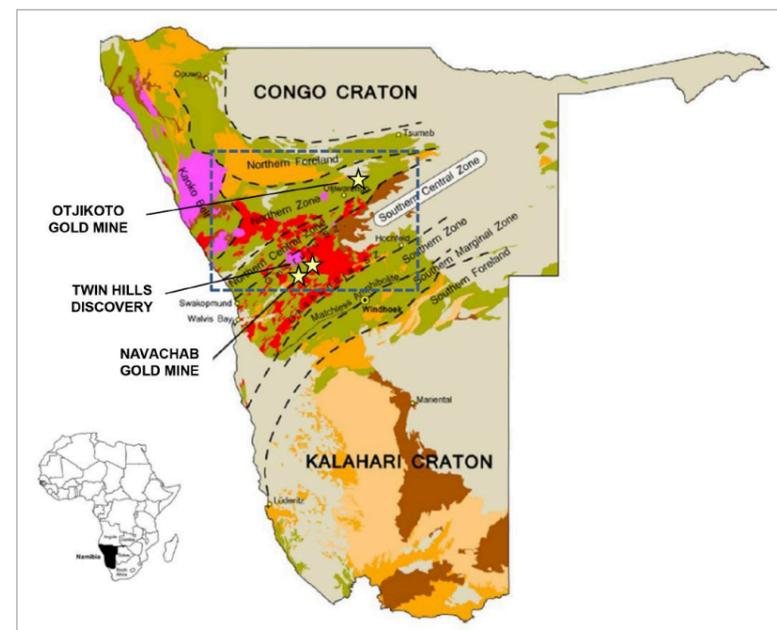
Heye Daun, CEO

Osino Resources is a Canadian mining development company focused on developing gold projects in Namibia. The company holds licenses covering approximately 6,700 square kilometres located in the central and northern zones of the Damara Gold Belt in Namibia. The successful management team, which has already been involved in 4 high-profile acquisitions and mergers, has already made a very promising find there.

### Namibia – Top infrastructure, excellent jurisdiction

Namibia has two producing gold mines, the Navachab Gold Mine (QKR Namibia), with an annual production of approximately 80,000 ounces of gold and the Otjikoto Gold Mine (B2 Gold Corp.), with an annual production of approximately 150,000 ounces of gold. Osino Resources' core projects are located 130 kilometres north-west of the Namibian capital Windhoek, for the most part in close proximity to the two Namibian gold mines. Due to the excellent location, Osino Resources projects

Osino's projects are located in the immediate vicinity of Namibia's two gold mines. (Source: Osino Resources)



benefit considerably from Namibia's well-developed infrastructure with asphalt motorways, railways, electricity and water in the immediate vicinity. Namibia is extremely mining-friendly and is considered one of the most politically and socially stable jurisdictions on the continent.

### Most important projects

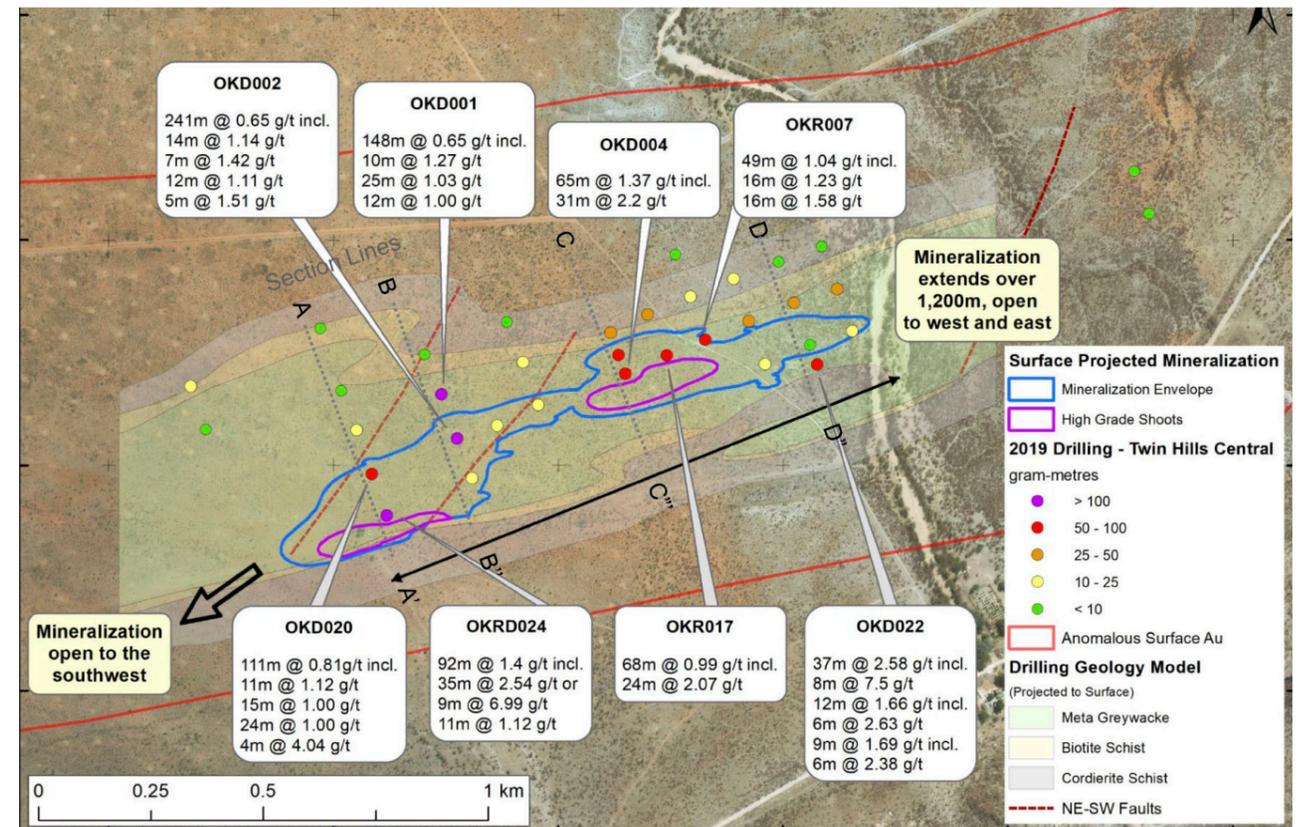
Osino Resources has three particularly advanced projects, which are presented below.

#### Flagship project 1 – Karibib

Flagship project number 1 is Karibib, which comprises 11 licenses with a total area of approximately 2,115 square kilometers. The project area covers essentially the northeast, north and northwest of the Navachab Gold Mine. Much of this area has never been systematically explored as it is covered by limestone and/or wind-blown sand. Regional mapping and reinterpretation of the aeromagnetic data identified a large, previously unmapped, deep regional structure - called the Karibib Fault - which can be traced back over 70 kilometres.

#### Twin Hills – Bull's-eye!

Osino's exploration activities since 2017 have been focused on the area north of the Navachab Mine, where significant mineralization was soon encountered in the Twin Hills target area. These included 189 metres averaging 0.69 grams of gold per tonne of rock (g/t), 104 metres at 0.70g/t gold, 78 metres at 0.64g/t gold and 65 metres at 1.37g/t gold (including 31 metres at 2.2g/t gold). Drill results from September 2019 showed 5 different mineralizations at different depths within the same hole, reaching up to 15.2g/t gold at peak. This zone, called Twin Hills Central, was recently extended to a strike length of 1,200 metres.



Several high-grade mineralization was encountered in the 2019 drill program. These included 92 metres at 1.40g/t gold and 37 metres at 2.58g/t gold. Outside Twin Hills Central, there are several other (potentially) gold-bearing zones, such as Twin Hills West (up to 4.13g/t gold has been identified to date, most recently including 28 metres of 0.83g/t gold), Clouds, Barking Dog (bedrock mineralisation 400 metres wide, still open to the east and west) and Twin Hills East (1 kilometre long mineralisation including 12 metres of 1g/t gold).

Twin Hills extends for at least 11 kilometres of strike length with potential for expansion in both size and gold grades.

Osino Resources is planning an additional 20,000 metre drill program for 2020.

#### Flagship project 2 – Goldkuppe

Osino Resources' second flagship Goldkuppe project is located approximately 20 kilometres northeast of the flagship Karibib/Twin Hills project. Goldkuppe is an advanced exploration project that has been explored by four different licensees since the 1980's, including several 30,000-metre historical and proprietary drill holes. One of the previous licensees encountered 22 metres of 3.4g/t gold, 27 metres of 1.8g/t gold and 6 metres of 2.7g/t gold. The Osino team began exploring the Goldkuppe in late 2016 and has since completed detailed mapping, structural interpretations, a detailed aeromag survey, soil and rock chip sampling to the south of the Goldkuppe Hill and three drill programs.

Twin Hills advanced to the first bull's eye. (Source: Osino Resources)

### Oasis and Wedge

This work led to the discovery of the Wedge and Oasis gold zones in 2018, located southwest of the Goldkuppe core area. At Oasis, Osino Resources discovered 10 metres of 1.6g/t gold, 11 metres of 1.1g/t gold and 48 metres of 0.75g/t gold. This confirmed the results of former licensee Anglo American, which included 3.4 metres at 3.3g/t gold and 5 metres at 1.3g/t gold. Osino Resources also encountered wedge at 10 metres at 2g/t gold. Rock chip sampling returned up to 5.48g/t gold.

### Flagship project 3 – Otjikoto East

The Otjikoto East Project consists of 5 exploration licenses with a total area of 1,844 square kilometres. The bulk of the project consists of three contiguous licenses covering the eastern strike extension of the Otjikoto Gold Mine over a length of approximately 110 kilometres. Although the licenses are adjacent to a world-class gold mine, the area has never been systematically explored.

Osino Resources commenced initial exploratory work in October 2017, which included regolith mapping and reprocessing of regional magnetic data to support lithology mapping under the limestone cover. Based on this work, high priority areas were selected, and a sampling campaign of limestone and termite mounds was initiated. Exceptional progress was made fairly quickly using this method and by the end of March 2019, approximately 70% of the 110 kilometres of the projected strike length had been surveyed. To date, the sampling program has identified a total of 8 gold anomalies, which are currently being followed up. Particularly encouraging are the two most advanced targets, Fairview and Etekero, which were the target of a Phase 1 bedrock drilling campaign in late 2019. The Phase 1 drill campaign has identified a gold and copper bearing bedrock anomaly over a

strike length of 1,000 metres for Fairview and a corresponding anomaly over 900 metres for Etekero. Additional drilling is planned later in the year to confirm these anomalies.

### Successful management with proven added value

The success of any commodity development company stands and falls with its management. And at Osino Resources, this consists of a veritable crack team that has already been decisively involved in four high-profile takeovers or mergers, including the neighbouring Otjikoto gold mine.

CEO and co-founder Heye Daun has more than 20 years of experience with first-class mining companies and financial groups. As former President and CEO of Ecuador Gold & Copper Corp. („EGX“), he was instrumental in the formation of Lumina Gold Corp. through the \$200 million merger of EGX with Odin Mining. He is a co-founder of Auryx Gold Corp. and led Auryx from IPO, capital raising and project development through to the CA\$180 million sale to B2 Gold Corp. The central project of this deal was today's Otjikoto Gold Mine. He was also involved in the formation of Eland Platinum. By acquiring PGM projects from Anglo American and raising over \$100 million in capital, the company was eventually sold to Xstrata for \$1 billion. He also worked for Nedbank Capital and Old Mutual Investment Group. He spent the first ten years of his career with Rio Tinto, AngloGold-Ashanti and Gold Fields.

President and co-founder Alan Friedman is a lawyer and entrepreneur educated in South Africa. He has been active in the North American public markets for over 15 years and has played a significant role in acquisitions, financings and go-to-public transactions for many TSX and AIM commodity companies. Friedman co-founded Auryx Gold, which was sold to B2 Gold for \$180 million. He was also co-lead manager at AfriOre Limited on the ac-

quisition of the Akanani Platinum Project and ultimately the sale of AfriOre to Lonmin for \$450 million. Friedman is also a co-founder and director of TSX-V listed Eco (Atlantic) Oil and Gas Ltd. and a director of the Canada-South Africa Chamber of Commerce.

### Summary: Star investor on board, increased news flow ahead

Osino Resources combines two decisive factors: firstly, three highly prospective gold projects, some of which are located in the immediate vicinity of existing gold mines, and a management team that has already been directly involved in 4 major commodity deals totalling around \$1.8 billion.

The primary focus is currently on the further development of the flagship projects Karibib/Twin Hills, Goldkuppe and Otjikoto East.

The founders of Osino are experienced mining professionals with a solid track record in exploration, mine development, investment

and sponsorship and have excellent relationships with local suppliers and governments, especially in Africa and especially in Namibia.

Osino Resources' vision is to find the next significant gold deposit in Namibia, which seems quite realistic given the successes to date and the promising project portfolio.

With a strong shareholder structure (70% of all shares in firm hands, largest shareholder is investor legend Ross Beaty) and a good cash cushion (in January 2020 a far oversubscribed financing of CA\$ 14 million was completed) the upcoming drilling programs should be easy to execute. An increased news flow can be expected in the coming months.

**ISIN:** CA68828L1004  
**WKN:** A2NB4J  
**FRA:** RSR1  
**TSXV:** OSI

Shares outstanding: 85.3 million  
 Options: 5.5 million  
 Warrants: 14.1 million  
 Fully diluted: 104.9 million

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## Osino Resources Corp.



# Osisko Gold Royalties

## Dividends and high leverage on the gold price



Sean Roosen, CEO

Osisko Gold Royalties is a Canadian royalty company which, since its formation in June 2014, has focused primarily on precious metals royalty and streaming licensing agreements in North and South America. At the core of the business model is the financing of mining companies in the exploration or construction phase in exchange for future deliveries of a certain percentage of the gold/silver from the mine, usually over the lifetime of the mine. In other words, a highly specialized financing institution with extremely high levels of expertise in the industry. This know-how is based on the company's history: Osisko first built the Malartic mine, which is still the largest gold mine in Canada. When the mine was sold to a JV of Agnico Eagle and Yamana in 2014 after an unsuccessful takeover attempt by Goldcorp, the entire management team including geologists and engineers moved to the newly formed Osisko Gold Royalties. As a result, Osisko now manages its royalties with approximately 20 employees, but also has a world-class and highly experienced technical team of over 50 employees. This enables new projects to be assessed in a highly qualified manner and also provides several young explorers with first-class technical services (see accelerator model below).

In just a few years, Osisko has grown to become the fourth largest royalty company in the world and currently has probably the greatest growth potential in this group.

Osisko differs from its competitors in that it also supports selected young mining companies with equity capital and its high level of technical expertise. This accelerates and optimizes the development of the young companies, hence the term „accelerator model“. At the same time, the value of the investment in the young companies is increased significantly, giving Osisko an additional lever to increase its own company value.

Osisko Gold Royalties holds a portfolio of 135 royalties, streams and precious metal purchases, 19 of which are already actively contributing to cash flow while others will enable the company to grow significantly in the coming years. Osisko Gold Royalties also has interests in several high-profile development

companies (accelerator model) and pays a quarterly dividend with a current yield of approximately 1.8 percent.

### The 4 most important, out of a total of 16 top-class, cash-flow-generating sources of income

Osisko's portfolio is anchored by four key assets, which are presented below.

#### Canadian Malartic

Osisko Gold Royalties was founded by Sean Roosen, who led the current largest Canadian gold mine Canadian Malartic from exploration to production and ultimately to its acquisition by Agnico Eagle and Yamana Gold. This acquisition resulted in, among other things, a 5% Net Smelter Royalty (NSR) license on production at Canadian Malartic. Canadian Malartic has significantly increased its production in recent years. In 2019, 669,000 ounces of gold were produced, of which Osisko received 33,500 ounces as royalty. Osisko receives an additional CA\$0.40 per tonne of rock mined outside the current production area. Of particular interest are the drilling results to the east of the current open pit mine: based on the results to date, it is likely that over 10 million ounces can be mined there by underground mining in the coming years. The Malartic Mine will remain a cornerstone of Osisko's royalty portfolio for many years to come.

#### Eagle

Osisko's newest royalty payer is Victoria Gold's Eagle Mine, which is now the largest gold mine in the Yukon. Developed over the past ten years, three companies secured full financing of the mine's construction in May 2018 with approximately CA\$500 million: Osisko with CA\$50 million equity (approx. 15.5%) and CA\$98 million for a 5% royalty, plus Orion Mine Finance (equity and loan) and Caterpillar Mine Finance. The Eagle Mine is currently in the ramp-up phase and is expected to produce 210,000 ounces of gold per year at full capacity. The 5% royalty at 10,500 ounces per year will be the next important revenue stream for Osisko.

#### Éléonore

The Éléonore Gold Mine is operated by Newmont and in 2019 produced 246,000 ounces of gold. Osisko Gold Royalties holds a 2% NSR for the first 3 million ounces of gold mined. In addition, the NSR increases by 0.25% for every 1 million additional ounces of gold mined, up to a maximum NSR of 3.5%.

#### Mantos

Mantos is a Chilean copper mine that mines silver as a by-product. Osisko Gold Royalties currently holds a 100% stream on all silver mined up to a maximum of 19.3 million ounces. From that point on, this is converted into a 40% stream. Osisko pays 8% of the daily spot price for the silver. In 2019, around 600,000 ounces of silver were mined.

#### Top projects in advanced development status

A further 15 precious metal royalty and streaming license agreements relate to top projects that are at an advanced stage of development or even construction.

#### Horne 5 from Falco Resources

Horne 5 is a huge gold-silver project in Quebec with very low cost, long life and excellent infrastructure right next to the city of Rouyn-Noranda. Osisko Gold Royalties holds a 19.9% interest in Falco and also owns a 90 to 100% stream of the mined silver resources. Osisko must pay 20% of the spot price for this. Horne 5 has approximately 6 million ounces of gold equivalent reserves. A bankable feasibility study has already been completed for the project. Osisko Gold Royalties expects to receive up to 30,000 ounces of gold equivalent per year once the mine is operational.

#### Most important shareholdings

Osisko Gold Royalties currently holds several significant investments in advanced development companies under its accelerator model. These include a 15.9% interest in Osisko Mining (with its giant windfall project in Quebec),

17.9% in Osisko Metals (zinc in the Northwest Territories and New Brunswick), a 19.9% interest in Falco Resources, an 18.7% interest in Minera Alamos, and 7.9% in Talisker Resources, who have just acquired the former Bralorne Mine in British Columbia.

#### Cariboo Gold Project

In 2019, Osisko acquired the remaining 62% interest in Barkerville Gold Mines, securing the 2,000 square kilometre Cariboo Gold Project. This has produced a resource estimate of at least 4.4 million ounces of gold at approximately 5.3 g/t gold and has a much higher resource potential. Osisko's technical team has developed a completely new geological model for Cariboo over the last few years. The validity of this model is demonstrated by the fact that gold has been detected in more than 90% of all drill holes. To date, only drill holes to a depth of 350 metres have been included in the resource estimate, although it is known from individual drill holes that the mineralisation extends to a depth of 1,000 metres. In addition, a parallel trend has recently been discovered that could possibly even double the current resource. A PEA calculated a discounted net present value of CA\$694 million and an after-tax return (IRR) of 42.7% for a gold price of US\$1,600.

Last year's acquisition of Barkerville Gold has transformed Osisko from a pure financing company to a company with some mining risk in the eyes of some institutional investors. This was reflected in a price discount of approximately 25%. However, Osisko already said at that time that they were acquiring Cariboo because of the considerable potential for value appreciation. In the medium term, however, the company wanted to involve a partner off the stock exchange and use this partner to secure the financing. It is possible that a partner will still be involved in 2020. Then Osisko will have considerable potential for re-rating!

#### Key figures + dividend

Osisko Gold Royalties has experienced impressive growth. As a result, all agreements have been used to generate 78,000 GEOs

(gold equivalent ounces) in 2019. The company expects a decline in 2020 due to temporary mine closures caused by the corona virus. Over the next 5 years, the company expects the number of GEOs to increase to 180,000. The cash margin for 2019 was an incredible 90%. The company pays a quarterly dividend of \$0.05 per share and had just over CA\$108 million in cash or cash equivalents at the end of 2019. Since then, the company has been able to generate a further CA\$85 million through the issue of new shares. The strategic investor Investissement Québec paid 9% above the share price at that time. From an investor's perspective, it is noteworthy that a total of approximately 23% of the shares are held by large Canadian pension funds or the investment company of the Government of Quebec.

With a total of approximately CA\$190 million in liquidity (April 2020), a royalty inflow in 2020 in the order of CA\$150 million (depending on gold price) and an unused credit line of CA\$480 million, Osisko has excellent opportunities to take advantage of the opportunities for new royalties that will arise in the coming months. And unlike many manufacturing companies, the dividend in such a royalty company is unlikely to be at risk.

### Summary: Moderate risk with high growth potential

Osisko Gold Royalties has built up a substantial portfolio of precious metal royalty and streaming licensing agreements in predominantly prime jurisdictions in just a few years. The company has a relatively low risk as many of the mines produce at absolutely low cost and therefore fluctuations in precious metal prices can lead to a reduction in margins but not to major losses. In addition, the Company does not bear any development or production costs. The potential for growth is huge if precious metal prices remain stable or rise, especially as several new mines will come on stream in the coming years, with Osisko Gold Royalties holding stream or royalty claims. The share offers correspondingly high leverage on the gold and silver price.

Osisko is paying a dividend of approximately 1.8% at the current share price and has particular potential for appreciation due to the possible re-rating following an expected third-party investment in Cariboo.

gold project to our portfolio adds a potentially world-class asset in Canada in an impacted brownfield site with important infrastructures in place, significant exploration upside and strong first nations and stakeholder support. Our goal is to create significant value at Cariboo within the North Spirit Discovery Group. Osisko continues to have a strong balance sheet and has financial capacity to fund growth opportunities with over C\$850 million available. The Company is also focused on returning value as it has paid a dividend to its shareholder every quarter since 2014. In 2019 alone, approximately C\$30 million were distributed in dividends and over C\$184 M in share buybacks.

### What are the most important catalysts for the next 6 to 12 months?

As always, we continue to see exciting opportunities to deploy capital into new investments as well as into our accelerator business. We are also looking forward to seeing our current portfolio of assets deliver growth and value over the next 12 months. Our cornerstone asset, the 5% NSR royalty on the Canadian Malartic mine, is showing promising future as si-

gnificant additional Malartic underground resources have been defined over the last few months. We expect the Canadian Malartic royalty to remain a great contributor to Osisko, well beyond the original defined life of mine.

As for the Cariboo gold project, we expect year 2020 to unlock value through exploration and a resource update and category conversion program from all 2019 drilling. Osisko is working toward obtaining third-party financing to bring this world-class deposit to the next level.

### How do you see the current situation on the market for precious metals?

With the market experiencing significant volatility recently, global stock markets melting down and currency and commodity markets being in turmoil, gold futures are high, partly sparked by a plunge in crude-oil prices and mounting concerns about the infectious disease Covid-19. In our opinion, the precious metal will continue to look attractive in a negative bond yield and low-interest environment and in a monetary policy environment that continues to ease.



Sandeep Singh, President

## Exclusive interview with Sandeep Singh, President of Osisko Gold

### What have you and your company achieved in the past 12 months?

2019 has been very productive for Osisko Gold Royalties as the Company was among the most active royalty companies in the sector. The closing of several royalty agreements and existing royalty and streaming rights enhancements reinforced our portfolio of assets located in low-risk jurisdictions. The last 12 months have seen the gold price increase drastically and we are excited to receive new gold ounces from our 5% net smelter return ("NSR") royalty on the Eagle Mine, operated by Victoria Gold and located in the Yukon, Ca-

nada's newest important gold mine. This achievement shows the strength and effectiveness of our business model, as we contributed to financing the Eagle Project. We look forward supporting our other accelerator model companies to bring to life Canada's next major gold mines.

The Company has also made a significant acquisition in 2019 by acquiring Barkerville Gold Mines Ltd. and announced the creation of the North Spirit Discovery Group. The objective is to act privately on project incubation and to finance the Cariboo project through third-party capital to take maximum advantage of the gold bull market. The addition of the Cariboo

**ISIN:** CA68827L1013  
**WKN:** A115K2  
**FRA:** OM4  
**TSX:** OR  
**NYSE:** OR

Shares outstanding: 157.4 million  
Options: 4.8 million  
Warrants: 5.5 million  
Fully diluted: 167.7 million

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## Osisko Gold Royalties Ltd.



# Skeena Resources

## Gold rush in one of Canada's least explored areas



Walter Coles Jr., CEO

Skeena Resources is a Canadian mining development company focused on the exploration and development of high-calibre gold projects in the „Golden Triangle“ in the northern part of the Canadian province of British Columbia. The company has recently reported spectacular drilling results almost weekly, particularly from its flagship Eskay Creek project.

### British Columbia's Golden Triangle – pure gold rush!

British Columbia's Golden Triangle has long been known for its exceptional gold deposits. As early as 1861, a gold discovery at the confluence of the Stikine and Anuk rivers led to the first gold rush, which attracted over 800 prospectors to the region. A few years later followed the Cassiar Gold Rush, which among other things produced British Columbia's largest gold nugget to date, weighing 73 ounces. The third gold rush, called Atlin, was an offshoot of the Klondike Gold Rush and once again brought many prospectors to the area. In the 20th century, the Premier, Eskay Creek and Snip mines in particular produced spectacular finds. The Premier Mine tripled the share price of the first operator, Premier Gold Mining Company. Between 1991 and 1999, approximately one million ounces of gold were extracted from the Snip Gold Mine - at average grades of 27.5 grams of gold per tonne of rock (g/t)! Even more spectacularly at Eskay Creek. In 1988, a drill hole drilled 27.2g/t gold and 30.2g/t silver over a whopping 208 metres! The share price of the owner Stikine Resources rose from \$1 to \$67 before the company was acquired. To date, the Eskay Creek Mine has produced 3.3 million ounces of gold and 160 million ounces of silver. Meanwhile Eskay Creek was the highest-grade gold mine in Canada (average 49g/t gold) and the sixth largest silver producer in the world. Today there are several large mines (projects) in the Golden Triangle. These include KSM (38 million ounces of gold, 190 million ounces of silver and 10 billion

ounces of copper), Brucejack and Galore Creek.

### Flagship Project Eskay Creek – Location and Infrastructure

The reason why the entire Golden Triangle is still considered to be completely under-explored (British Columbia government estimates suggest that only 0.0006% of the Golden Triangle's total resources have been exploited to date) is that the area was relatively poorly developed in terms of infrastructure until a few years ago. However, this has changed abruptly in recent years. For example, a 335-kilometre-long high-voltage line from Terrace to the Red Chris Mine was built for 700 million dollars. Highway 37, which runs directly through the Golden Triangle, was and is currently being tarred. A total of around 2 billion dollars has been invested in the infrastructure. The Volcano Creek hydropower plant is 10 kilometers from Eskay Creek, and the project is also easily accessible by road.

### Flagship Eskay Creek Project – Ownership and Barrick Deal

Skeena Resources secured an option to acquire 100% of Barrick's Eskay Creek project in December 2017. To acquire a 100% interest, Skeena Resources must spend CA\$3.5 million on exploration over 3 years. This point has been met ahead of schedule. In addition, a payment of CA\$10 million must be made no later than December 18, 2020. In addition, Barrick will be reimbursed for claims expenses incurred during the option period and the Bond amount on the property will be assumed, up to a maximum of C\$7.7 million, provided that the purchase price is reduced if the combined amounts exceed C\$7.7 million. Barrick will retain a net smelter royalty of 1.0%. In addition, Barrick has a back-in right to acquire a 51% interest in the project, which can only be exercised for a period of 12 months from the date of purchase. To

exercise the back-in right, Barrick will pay Skeena up to three times its cumulative expenditure on the property. As part of the back-in right, Barrick would also refund the purchase price and assume all guarantee obligations for its pro rata share, whereupon the parties would form a joint venture. Skeena Resources is in negotiations with Barrick to repurchase the back-in right for cash or shares.

### Flagship Eskay Creek Project – Resource

The old Eskay Creek mine was an underground mine. However, Skeena Resources intends to reopen the mine as an open pit mine. Accordingly, the company has so far concentrated primarily on the exploration of deposits above the old mine. In November 2019 the last resource estimate was published. This produced an Indicated Open Pit Resource of 1.74 million ounces of gold and 44.66 million ounces of silver and an Inferred Open Pit Resource of 1.05 million ounces of gold and 21.72 million ounces of silver. In addition, there is an Indicated underground resource of 218,000 ounces gold equivalent and an Inferred underground resource of 78,000 ounces gold equivalent. In total, Eskay Creek has a resource of 3.976 million ounces of gold equivalent.

### Flagship project Eskay Creek – Exploration successes

The first drill holes in 2018 already produced incredibly high-grade mineralization over many meters. About 43.39g/t gold equivalent over 27.70 metres. However, the major breakthrough was made in 2019, when longer „lower grade“ intervals as well as very high-grade intervals were encountered. The Company encountered 5.71g/t gold equivalent over 92.15 metres, 314.07g/t gold equivalent over 2.21 metres and finally 22.59g/t gold equivalent over 14.33 metres.

### Flagship project Eskay Creek – Positive economic feasibility study

In November 2019, Skeena Resources published its first economic feasibility study (PEA), which provided very positive figures for economic production. The basis for this was provided by the planned pit area, which has an average grade of 4.17g/t gold equivalent. It was calculated with a concentrate ready for sale, which is to be produced in a mill and flotation plant with a daily capacity of 6,850 tons. The calculations are based on an average annual production of 306,000 ounces gold equivalent over a mine life of 8.6 years. The initial capital cost has been estimated at US\$233 million and the all-in-sustaining cost at a very low US\$615 per ounce gold equivalent (including all by-products). This puts Eskay Creek in the top 10% of the world's highest average gold grades for surface mines. It would also be in the 20% lowest cost all-in-sustaining cost worldwide. Based on a gold price of only US\$1,325 per ounce and a silver price of US\$16 per ounce, the PEA results in an after-tax net present value (NPV) of US\$491 million and an after-tax return on investment (IRR) of a very high 51%. The after-tax payback period would thus be only 1.2 years. For a currently more realistic gold price of US\$ 1,500 per ounce and a silver price of US\$ 18 per ounce, the NPV would be US\$ 675 million, the IRR 63% and the payback period less than one year.

These are amazing results, which the company wants to improve even further by means of a pre-feasibility study that is currently being prepared. This is expected to be completed in the first half of 2021.

### Plans for 2020 and upcoming catalysts

Skeena Resources plans to drill at least 30,000 metres at Eskay Creek in 2020. This should lead to a further resource estimate in

the first half of 2021. The company also intends to exercise the option to purchase the project. All of this is expected to result in a pre-feasibility study, which is also expected to be released in the first half of 2021.

### Gold project Snip – second trump card up its sleeve

Skeena Resources' second hot iron in the fire is the Snip gold project. This is located approximately 100 kilometres west of Eskay Creek and covers approximately 1,932 hectares of land. Hochschild Mining has an option to acquire 60% of Snip. With the assistance of personnel with previous experience on the project, the Company has been able to review and model over 280,000 meters of historical drill data. Previous surface and underground drilling has produced some sensational results. For example, in 2019, an isolated, historically incompletely sampled, high-grade section of the 200 Footwall Corridor was tested. The most recent drill hole to date revealed a new occurrence of very high-grade mineralization averaging 1,131.91g/t gold over 1.50 metres in late 2019, including a significant subinterval containing abundant visible gold grading 3,390.00g/t gold over 0.5 metres. Snip was

formerly an underground mine and has approximately 8,400 meters of underground tunnels and shafts. This facilitates exploration, especially since a several hundred-meter-thick section below the mine is still almost untested. Skeena Resources plans to conduct an exploration and delineation drilling program in 2020.

### Summary: This could be something really big!

With Eskay Creek, Skeena Resources owns one of the most exciting gold-silver projects in Canada, if not the world. A 4-million-ounce gold equivalent resource with an average of 6g/t gold in the indicated and 3g/t gold in the inferred category as surface option is very rare. The economic analysis has already indicated that Eskay Creek could be a real gold mine, and the pre-feasibility study is intended to remove further risk from the project. Additional news flow from the 2020 drilling campaign should continue to fuel the share price. This also applies to Snip, the second ace up its sleeve. Skeena Resources currently holds approximately CA\$43 million in cash and is therefore sufficiently funded.

## Exclusive interview with Walter Coles Jr., CEO of Skeena Resources

### What have you and your company achieved in the past 12 months?

Skeena released a Preliminary Economic Assessment (PEA) on the past producing Eskay Creek gold-silver project which highlights an after-tax NPV5% of C\$638M, 51% IRR and a 1.2-year payback at US \$1,325 gold. The Company also completed 17,955 m of drilling at Eskay with assay results that include 314.07 g/t AuEq over 2.21 metres and 18.13 g/t AuEq over 22.65 metres. In addition to the work done at Eskay Creek, Skeena drilled 1,934 m

at the 100%-owned past-producing Snip gold project. Highlights from the 2019 Snip drill program include 1131.91 g/t Au over 1.50 metres in the newly discovered 200 Footwall corridor.

Skeena also had a successful year financially, raising over C\$56 million in the last 12 months to fund exploration and development activities at Eskay Creek and Snip.

### What are the most important company catalysts for the next 6 to 12 months?

The most important catalysts for Skeena in the next 12 months include:

1. Continued drill results from Eskay Creek. A combined 30,000 metres of infill and exploration drilling is planned for 2020.
2. Exercising the option to acquire 100%-interest in Eskay Creek from Barrick.
3. Aggressively advancing Eskay Creek towards a Pre-feasibility study with an expected completion date in H1 2021.
4. Additional drill results from Snip as Skeena plans to follow-up on the exploration success in the 200 Footwall from the 2019 drill program.
5. Graduation from the TSX Venture Exchange to the TSX Senior Exchange, planned for summer 2020.

### How do you see the current situation on the market for precious metals?

I'm as optimistic as I have ever been on the price of gold.

Global debt levels were at unsustainable heights before the corona virus hit. Now they are exploding higher. In response to the pandemic we have multi-trillion-dollar govern-

ment spending programs being approved by the U.S. Congress, which will likely cause U.S. government debt to approach USD\$30 trillion over the next 2 years. Eventually there must be a restructuring of these debts. Governments will have three options:

- (1) raise taxes,
- (2) cut government spending programs or
- (3) monetize the debts.

The first two options are politically painful choices. That leaves the third option as the path of least resistance – monetize government debts. This is already underway. The U.S. Federal Reserve is printing money to purchase government debt ("quantitative easing"). Even more insidiously, the Fed is printing money to buy other forms of credit, such as mortgage backed securities to support the housing market or high yield bonds to support over leveraged corporations.

This debasement of currencies is happening around the world as governments resort to monetization of their debt. Holding wealth in cash is no longer a safe harbor. In this context, gold prices are likely to keep increasing in the years ahead.

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WKN: A2H52X  
FRA: RXFB  
TSX-V: SKE

Shares outstanding: 166.1 m  
Options: 12.4 million  
Warrants: 5.4 million  
Fully diluted: 183.9 million

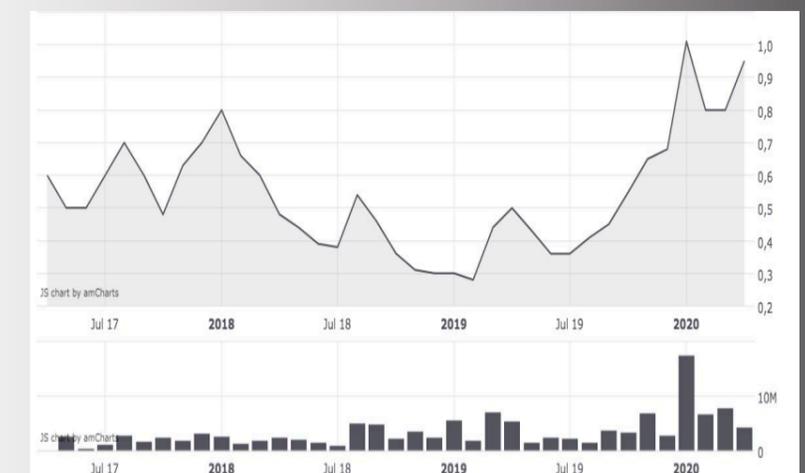
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