



# Precious Metals Report 2021

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



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## Imprint

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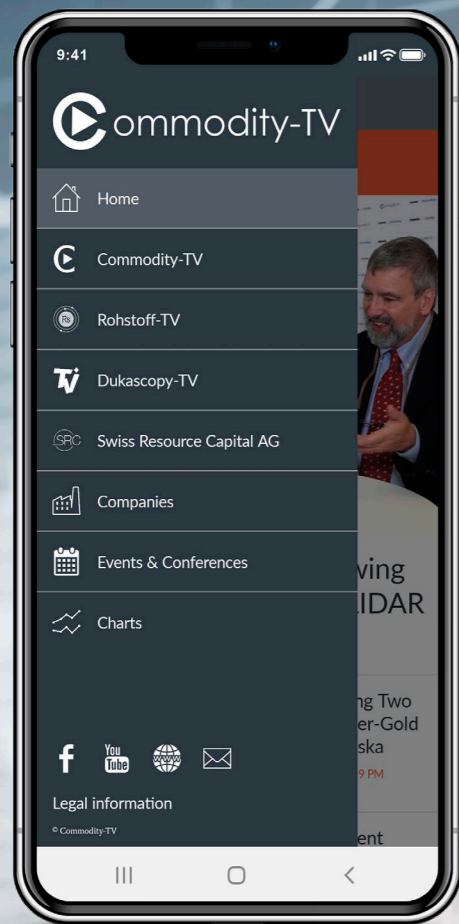
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## Preface

Dear Readers,

Now in its sixth year of publication, we are pleased to present 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 bad times. Especially in today's corona virus madness, gold is indispensable to park cash sensibly. The money printing orgies of the central banks can no longer be stopped and with Christine Lagarde as successor of Mario Draghi things have gotten rather worse than better. The US Federal Reserve has already lowered interest rates further and the money floodgates have been fully opened in the wake of Corona. Whether it comes to 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 the overindebted US companies. There is no joy in this for the banks, which are under pressure anyway. Please keep in mind that in case of emergency only 100,000 EUR are secured per institution and even that I now question whether this is affordable! 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 upheavals ahead. We look positively into the future and take gold as a store of value and inflation protection. Mining companies are still (too) favourably valued, in addition to a number of good dividend standard stocks. Especially 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.

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With our special reports we would like to give you the necessary insights and provide you with comprehensive information. In addition, our two commodity IP-TV channels [www.Commodity-TV.net](http://www.Commodity-TV.net) & [www.Rohstoff-TV.net](http://www.Rohstoff-TV.net) are always available to you free of charge. If you are on the move, we recommend our new Commodity TV App for iPhone and Android, which provides you with real-time charts, quotes and also the latest videos.

My team and I hope you enjoy reading the Special Report Precious Metals and that we can provide you with a lot of new information, impressions and ideas. Only those who inform themselves in a versatile way 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 15 years and accompanied several chief-editor positions, e.g. at Rohstoff-Spiegel, Rohstoff-Woche, Rohstoffraketen, the publications Wahrer Wohlstand and First Mover. He owns an enormous commodity expertise and a wide-spread network within the whole resource sector.

# Precious metals are back in fashion – The history of safe havens and catalysts

## Supply shortfalls despite rising prices

Precious metal investors are still in the pole position, with precious metals having been among the best performers of all asset classes in the Covid 19 crisis. It sounds like a cliché, but gold and silver are once again in demand as „safe havens“, as massive inflows into ETFs and sold out bullion traders impressively prove.



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

In 2020, the price of gold reached a new all-time high of more than US\$ 2,000, mainly as a result of (impending) fiscal and geopolitical distortions and a certain degree of security, which will keep the price of the yellow metal at a consistently high level and will certainly drive it even higher. In most currencies, gold was at all-time highs in 2020, a trend that will continue in view of the escalating orgies of money printing by central banks worldwide. Silver, an industrial metal accounting for more than half of demand, initially had to cope with large price losses, but then a meteoric rise followed. With a gold-silver ratio of 125, this was the end of the road, especially as silver experienced 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 (explosion of photovoltaic capacities in China!), the automotive sector (use in electric vehicles) as well as the pharmaceutical and medical sectors are particularly noteworthy.

Palladium, too, which in recent months had been driven to new record highs of up to \$ 2,780 an ounce, mainly for speculative reasons, only had to take a short sinking and was recently already trading above the \$ 2,200 mark again. Demand from the automotive sector (use in gasoline catalytic converters) plays 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. As a result, the price per ounce recently fell to below \$850. Here, however, there are signs of a renaissance. However, not the fuel cell or hydrogen transportation, which is still some years away, will be the first violin, but first of all the substitution of the meanwhile expensive palladium by platinum.

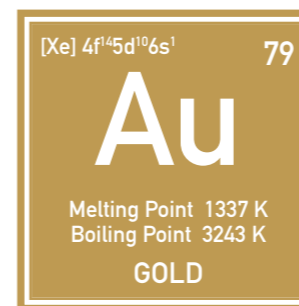
In addition, platinum and palladium in particular are expected to see a drastic drop in supply in the coming years, as the important South African mines in particular will not be able to maintain their production at the usual level. Even rising prices are unlikely to contribute to an improvement.

## 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) transition metals, such as Darmstadtium or Roentgenium, which play virtually no role in practice.

## Gold: Since the beginning THE term for wealth and brilliance

Gold is a chemical element with the element symbol Au and the atomic number 79. It can be worked mechanically very well (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 the storage of value. Gold is also considered easy to alloy, which makes it very attractive as a material.



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

Not only in the form of jewelry or coins, but also in medical applications, gold scores especially 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, switching contacts and connectors.

### Occurrence and extraction

Gold is very rare in nature, but pure. 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 mate-

rial deposits as gold-bearing rock (gold ore) as well as in secondary deposits, including soap deposits. Up to 20% of the annually mined gold is extracted as by-product, mainly from copper, nickel or other precious metal mines.

## Supply situation

According to the World Gold Council, in 2019 a total of 3,463.7 tonnes of gold was mined and 1,304.1 tonnes was recovered from recycling. This brings the total gold supply (including recycling) to 4,767.8 tonnes, an increase of approximately 82 tonnes compared to 2018.

The main gold mining areas are currently China, Russia, Australia, the USA and Canada, which together account for almost half of the total annual production. They are followed by Peru, Ghana, South Africa, Mexico and Brazil, although the latter is only slightly ahead of Uzbekistan, which ranks eleventh. In Europe, only Sweden and Finland can report significant gold production.

### Gold production increases only marginally – gold peak reached?

From the turn of the millennium until 2019, gold production has been increasing every year, but has been declining more and more recently. While in 2011, about 2,857 tons of the yellow metal were extracted from the earth worldwide, in 2015 it was 3,300 tons. Since then, production has only marginally increased to 3,398 tonnes in 2016 and 3,455 tonnes in 2017, and contrary to all predictions, gold production in 2018 increased again slightly to 3,510 tonnes. In 2019, production then dropped 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 will peak in 2020.

### 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 are not yet fully exploited have to be developed more and more expensively in order to obtain further gold-bearing material. Some mines already reach depths of 4,000 meters and more.

Furthermore, the gold content is constantly decreasing. Currently, gold deposits are still being exploited at an average of just over 1 gram of gold per tonne of rock (g/t). However, with 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.

prices due to the ongoing slump in gold prices. Particular savings have been made in exploration, which has led to the fact that hardly any larger deposits have been discovered in recent years.

In addition, the current corona crisis, which has brought many mining activities worldwide to a standstill, will have a major impact on gold production - at least in 2020.

## Demand situation

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

After decades of gold sales, the central banks are back on the buying side since 2010. 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 increased their gold reserves by 656.2 tons in 2018. This was 73% more than in 2017. In 2019 central bank purchases fell slightly to 650.3 tons. 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. In August 2020, central bank sales were recorded for the first time again on a purely net basis, but this was almost entirely due to Uzbekistan, which sold 32 tonnes of gold.

### Demand from the jewelry sector and investment sector stable – technology sector growing steadily

In 2019, there was a global demand for about 4,355 tonnes of gold. The lion's share was accounted for by the jewelry sector, which consumed 2,107 tons. In second place was the investment sector, which demanded about 1,272 tons (about 110 tons more than in 2018). Demand from the technology sector was strong, reaching 326.6 tons in

2019. This showed that gold is gaining ground not only in applications in smartphones or game consoles, but also in the electromobility sector in particular. In view of the incipient electrical (mobility) revolution, this is likely to lead to continued strong growth in demand from the technology sector in the future.

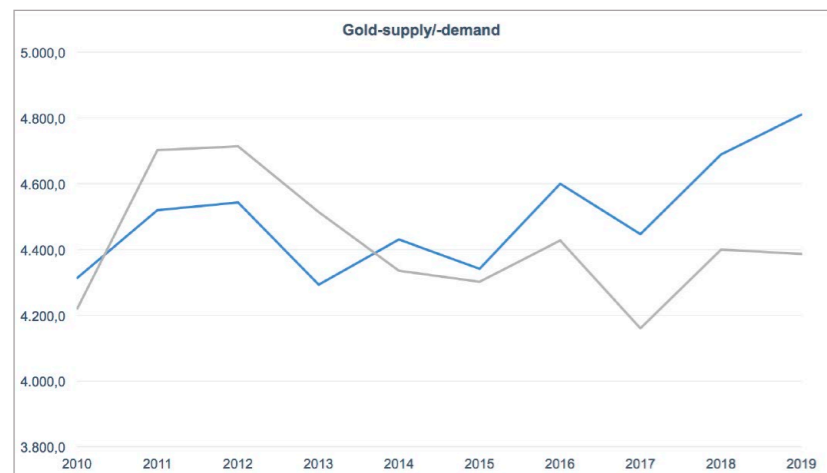
### Conclusion: Everything stands or falls with the investment sector – ETF inflows recently at record levels

There are indications of record demand from the investment sector in 2020. From Q4 2019 to Q1 2020 alone, demand from the investment sector doubled from 270 to 547 tons. In Q2 2020, the third-highest quarterly figure since 2010 was 583 tons. Based on the assumption that the jewelry industry is likely to remain below the levels of previous years in terms of demand, it is precisely the inflows into gold-deposited ETFs that have seen a strong surge in demand since the end of 2018 and therefore offer the greatest potential for demand growth. In 2019 alone, global ETFs recorded an inflow of just under

400 tons of gold! In the first three quarters of 2020 alone, however, this figure was downright pulverized. Because in these 9 months, just over 1,000 tons flowed into the corresponding ETFs!

### Summary: Demand at record high – supply 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 a coming supply deficit but also to the need for a higher gold price in order to satisfy 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 currently important smelters are closed and therefore the further processing of gold into (smaller) bars is not guaranteed. This plays a major role, especially in the case of physical delivery claims of COMEX contracts, as many sellers could be caught on the wrong foot, who would then have to cover up at any price.



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

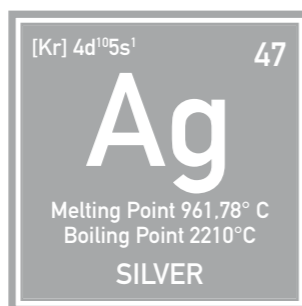
A third point is the (missing) discovery of new deposits. While more than one billion ounces of gold were discovered in the 1990s, only slightly more than 600 million ounces were discovered between 2000 and 2014. Since then, the new discoveries have collapsed once again. This is mainly due to the fact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



(Source: istara, pixabay)

## Silver: New uses and an undervaluation against gold make silver the future highflyer

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 sometimes bound for many years in corresponding applications, with the sheer number of possible applications growing steadily with technical progress. In addition to being 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 an all-time high of approximately 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 836.5 million ounces. For 2020, production is even expected to be only 797.8 million ounces, which means that it will fall below the 800-million-ounce mark for the first time since 2012. With an annual production of 180 million ounces (equivalent to around 20% of total global production), Mexico ranks first among the producing nations, followed by Peru and China. These three countries together are thus 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 resource. In contrast, the majority (70%) comes from mines where 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 supply to decline overall

This high dependency primarily on base metals such as lead, zinc and copper has recently led to the fact that weakening base metal prices and the associated closure of mines or at least a reduction in the corresponding base metal production also had a negative impact 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

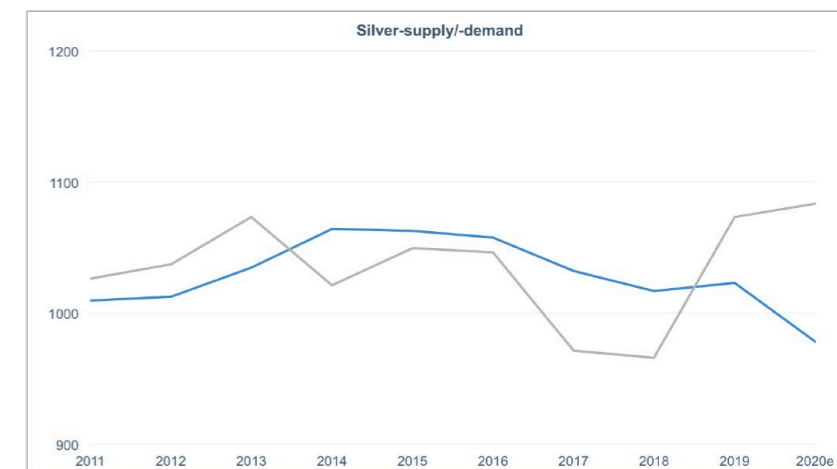
increased only marginally and has even been declining since 2016. In the coming years, silver production is expected to stagnate and even decline further due to corona, especially as the output of new mines will have difficulty compensating for the loss of zinc/lead mines. From today's point of view, 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 to large zinc/lead mines and further to an enormous 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 put into production with a long delay. In addition, recycling has been declining since 2011 and was less than 170 million ounces in 2019 compared to 233 million ounces in 2011.

#### Silver companies prioritize cost savings

The development of the mine pipeline also stalled in recent 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 brought on stream that had all-in costs of over \$20 an ounce. These quickly became unprofitable after 2012. Instead of closing them, however, the companies have since tried to keep costs down. 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 are not expected to contribute to an increase in supply

A further decline in supply is also expected in silver recycling. For 2020, The Silver Insti-



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

tute expects a slight decline in recycling to 169.4 million ounces. Sales by central banks have hardly played a role since 2011 and should not significantly increase silver supply in the coming years.

### Demand situation

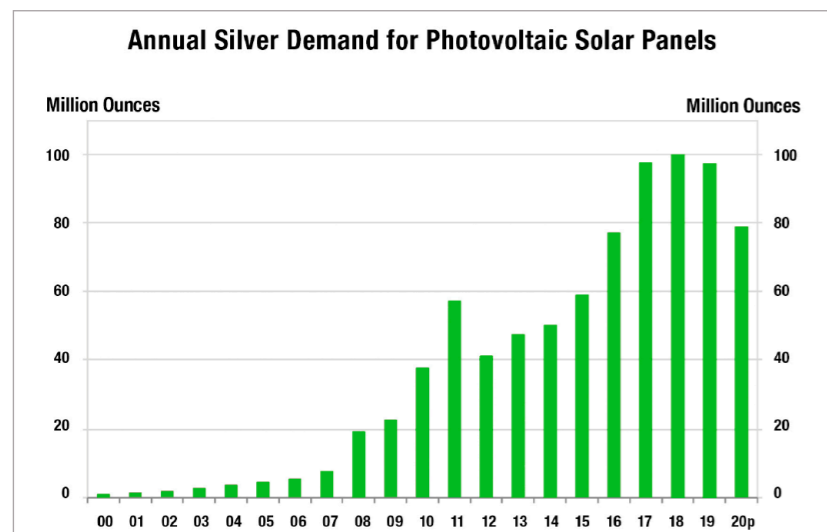
#### Silver with hermaphroditic function

While gold is mainly used as an investment, to maintain value and in the form of jewelry (less than 10% of the annual demand comes from industry), silver has a kind of hermaphroditic function. This means that recently about 51% of the total demand for silver came from industry (including photography), while the remainder was mainly demanded by investors in the form of bars and coins and by the jewelry industry.

#### Main application areas: Electronics, alloys, photography, photovoltaics, pharma/medicine – automotive sector is becoming increasingly important

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, electro-

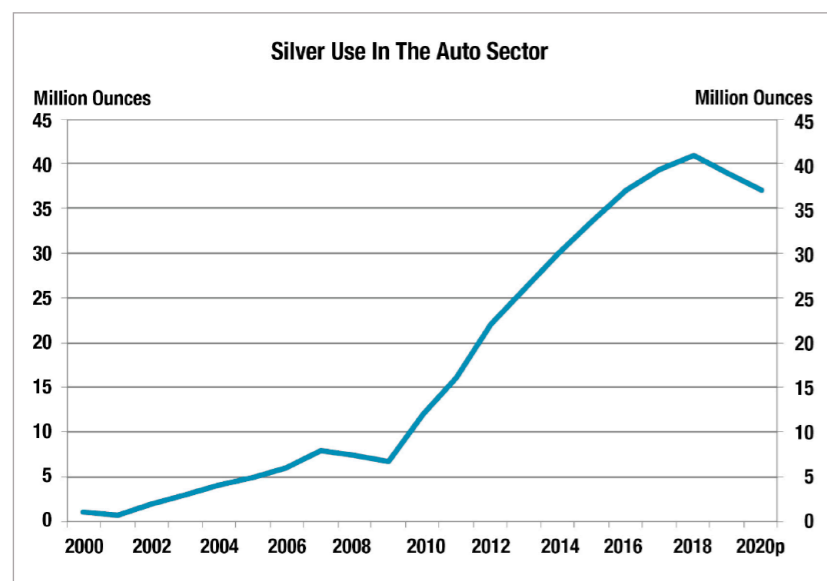




(Source: First Majestic Silver)

tics, optics and photography. These areas also account for a good half of the total industrial demand of around 544.6 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 stabilized in recent years with a demand of around 100 million

(Source: First Majestic Silver)

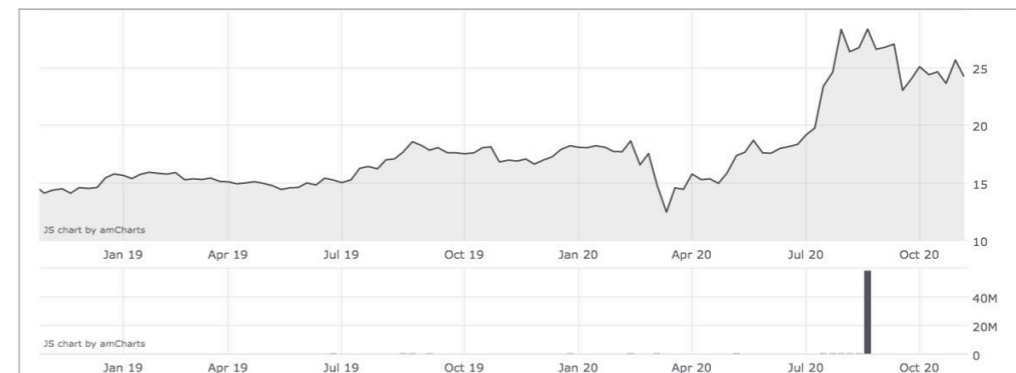


ounces per year. China, in particular, wants to expand the share of photovoltaic capacity significantly. The Middle Kingdom alone is aiming to achieve 120 gigawatts of cumulative photovoltaic capacity by 2021. This means that more and more silver will be bound in corresponding solar modules for at least 20 years! In the 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 especially important – antiviral effect, it is already considered a possible salutary agent in medical and pharmacological applications.

The automotive sector is also likely to provide a further boost. Silver is being used more and more for wiring and directly in battery packs and solar panels for car roofs. In 2019, the automotive sector alone will demand 40 million ounces. In 2010 it was just 10 million ounces, in 2000 about one million. The development of a new type of battery based on zinc and silver should also be interesting.

### Physical demand recently higher again

Physical demand for silver reached a record high of approximately 1.0735 billion ounces in 2013 and fell from an extremely high level to approximately 966 million ounces by 2018. In 2019, silver demand increased 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 into 2020. The Silver Institute expects up to 120 million ounces of silver to flow into silver ETPs in 2020! Demand from the jewelry sector declined minimally by 1.8 million ounces from 2018 to 2019, while demand for other silverware declined by 5.6 million ounces to 59.8 million ounces.



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

### Summary: Rising supply deficit, still great potential to catch up with gold

The silver sector has been slightly oversupplied for years, but in 2019 this was turned back into a saturated supply deficit of 50.4 million ounces. All in all, despite the corona crisis, global demand for silver is expected to increase again in the coming years. In addition to expected increasing ETP inflows and further physical demand, demand from the medical and pharmaceutical sectors in particular is expected to increase, in some cases dramatically. 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

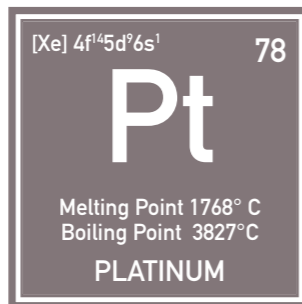
a persistent slump in silver prices. Particularly savings were made in exploration, which led to the fact that in the past few years virtually no large deposits were discovered. And price weaknesses in several base metals also meant that the development of mines that produce silver as a by-product was initially postponed. The Silver Institute expects a supply deficit of up to 105 million ounces of silver in 2020. There is also further potential to catch up with gold, which is reflected in a record-breaking gold:silver ratio of more than 80 most recently.



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

## Platinum: Indispensable in the industry, the next upswing is within reach

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 gray-white color 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 jewelry.

### 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 and there in the form of automotive catalytic converters. In addition to the classic diesel oxidation catalysts, platinum is also increasingly finding its way into catalysts in fuel cells, which could be an enormous demand driver in the future. The second major industrial application area 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 jewelry 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 its elementary form in nature. Metallic platinum (platinum soaps) is practically no longer mined today. Although a large part of the mined platinum is extracted from primary deposits in a few places, mining as a by-product of non-ferrous metal production (copper and nickel) is becoming increasingly important. There 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. 72.9% of the platinum mined worldwide in 2019 came from South African mines. This was followed by Russia with about 11.9%, Zimbabwe with 7% and North America with 6%. All in all, platinum mining is a relatively small sector, as only about 6.03 million ounces were mined in 2019, for example.

#### High recycling rate

Although a certain amount of gold and silver is also returned to the cycle through recycling, recycling makes up an extremely high percen-

tage of platinum. In 2019, approximately 2.16 million ounces were recovered from recycling. Recycling thus accounted for 26.4% of the total platinum supply for the year.

### Supply stagnates

Overall, 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 almost 2 million ounces from recycling), in 2018 about 8.2 million ounces of platinum entered the free market (mining: 6.1 million ounces, recycling: 2.1 million ounces). In 2019, the platinum supply fell slightly to 8.19 million ounces (mining: 6.03 million ounces, recycling: 2.16 million ounces). An increase in platinum production is currently not in sight, since, especially in South Africa, platinum extraction has to be carried out at ever greater depths and thus at greater cost.

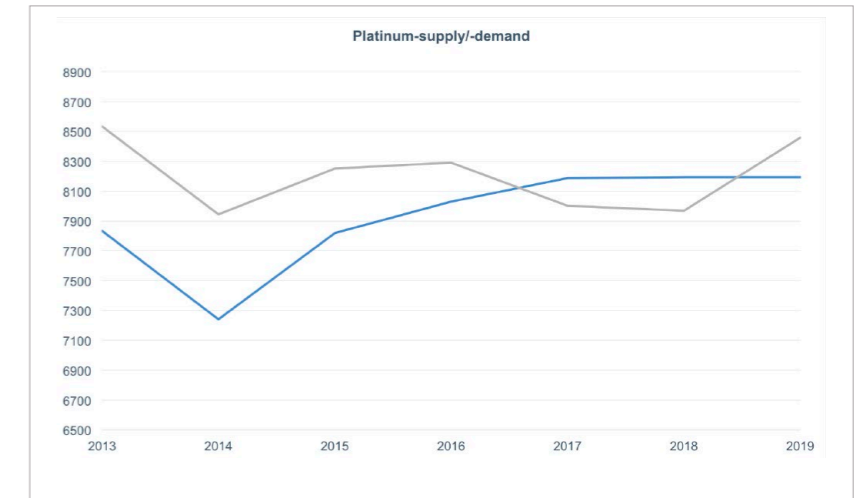
### Demand situation

#### 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 come from the industry, while the rest comes mainly from the jewelry industry and from investors in the form of bars and coins.

#### Main customers: automotive industry and jewelry manufacturing – investment demand explodes!

Expressed in figures, it is the automotive sector that will be the most in demand for platinum in 2019. 2.88 million ounces were



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

mainly used for catalytic converters. The jewelry industry demanded 2.05 million ounces. Demand from the rest of the industry reached 2.40 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 by almost 500,000 ounces from 2018 to 2019 to 8.46 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.

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



### Industry demand stagnates, jewelry demand declines, investment demand explodes – current supply deficit

Four things are particularly striking in the platinum sector.

- ▶ **First:** 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, this figure fell slightly to 5,276 million ounces.
- ▶ **Secondly,** demand is declining in the jewelry sector. In 2014, 2.839 million ounces of platinum were still in demand by jewelry manufacturers. In 2018, on the other hand, there was only 2.258 million ounces and in 2019 only 2.052 million ounces.
- ▶ **Thirdly:** The demand from the investment sector, i.e. in the form of bars and coins for investment, 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 on, the big slump occurred, 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.
- ▶ **Fourth:** While there was a supply deficit of just under 262,000 ounces up to 2016 including recycling, this turned into a supply surplus of 187,000 ounces in

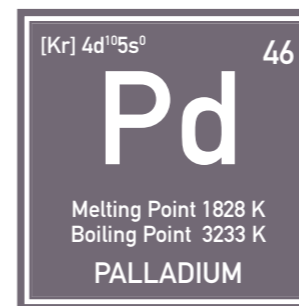
2017. In 2018, even 225,000 ounces of platinum were offered more than demand. In 2019 the whole thing turned back into a supply deficit of 265,000 ounces, mainly caused by the investment sector. The pure platinum production of 6.03 million ounces in 2019 can certainly not keep up with the demand of around 8.46 million ounces. The difference must be compensated by the recycling sector.

### Summary: The key lies in recycling, investment demand and car manufacturers – investment sector with much better prospects – both supply and demand expected to decline in 2020

Platinum demand can therefore only be met because of the very large proportion 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 vehicles ready for scrapping. If the fuel cell becomes established in the automotive industry alongside the purely electric car, an increase in demand can be expected from there. Whereby platinum producers are now relying heavily on the substitution of palladium by platinum. Corresponding applications are already out of the development stage and are already in the mass production phase. Much stands and falls with the investment sector, which should return to its former strength, also due to the current low platinum price.

## Palladium: Precious metal of the hour!

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



### Most important properties: 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 luster in air and does not tarnish, which makes it interesting for the jewelry 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 jewelry sector, especially in combination with gold, from which so-called white gold is produced. Palladium removes the golden-yellow color 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-product from nickel and copper mines.

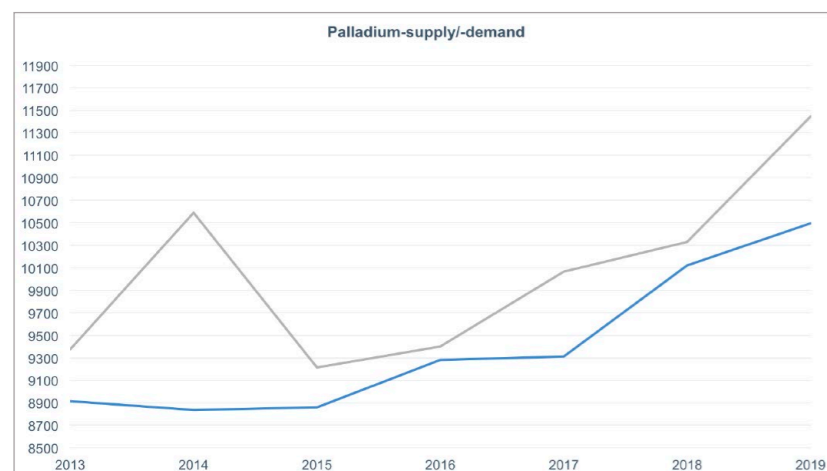
## Supply situation

### 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 42.2% of total production. Closely followed by South Africa with 37.1%. The remaining palladium production was largely divided between the USA and Canada. Only 8% of the palladium produced worldwide came from other countries. Overall, platinum mining is a relatively small sector as only about 7.1 million ounces are produced per year.

### High recycling rate

Similar to platinum, palladium has a high recycling rate which helps to (almost) meet demand. In 2019, a total of 3.43 million ounces of palladium were recycled. This was 32.6% 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 3.116 million ounces. In 2019, 3.428 million ounces were finally recycled.

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 were only 87,000 ounces.

As a result, the total palladium supply (including recycling) increased from 9.214 million ounces in 2015 to 10.497 million ounces in 2019.

As with platinum, palladium is also expected to see an increase in recycling rates 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 been suffering from a significant supply shortfall for years, with the supply in 2017 amounting to around 754,000 ounces and in 2018 to around 208,000 ounces. In 2019 this jumped to around 950,000 ounces.

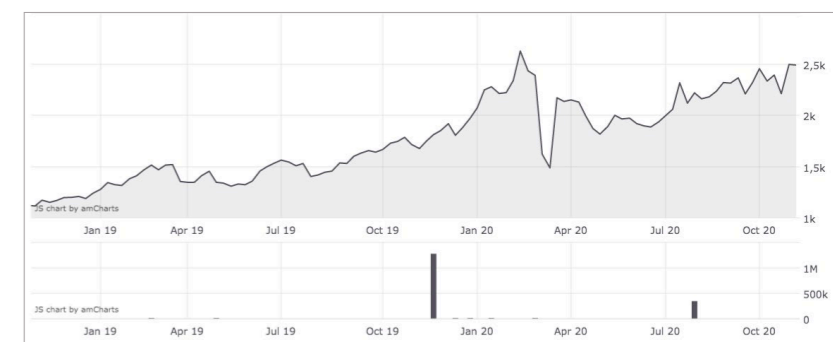
### Car manufacturers demand more palladium - investment sector no longer so weak

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 8.83 million ounces. In 2019 there was a further leap of 800,000 ounces to 9.63 million ounces. It remains to be seen to what extent this trend will continue. However, if demand for gasoline engines declines, palladium demand will also fall. 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 1.76 million ounces. The jewelry industry plays hardly any role with a demand around 135,000 ounces per year. The investment sector was not quite as weak recently and will probably continue to be a supplier rather than a buyer of palladium in 2020.

### Summary: A lot depends on the price

However, this is probably mainly due to the fact that the palladium price has risen strongly recently. This price has quintupled within four years from the beginning of 2016. The higher palladium price resulted in many investors reducing or liquidating their ETF

holdings and realizing gains. At the same time, palladium is also becoming increasingly unattractive as a substitute for platinum, which is now much cheaper. Nevertheless, there is still a clear supply deficit. 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 develops. Palladium's dependence on the automotive industry is unmistakably high, making it a riskier investment than silver, for example.



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

## Conclusion: Uncertainty factor corona

As a 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, since 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 programs, 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 catch-up potential compared to gold and will find its way into more and more industrial applications in the future. In the case of platinum and palladium, everything stands and falls primarily with the automotive industry and the related 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 well in the future.

But it is also a fact that the COVID 19 pandemic will cause considerable damage to platinum supply and demand in 2020. Both pri-

mary and secondary supplies will shrink due to temporary shutdowns of many mining operations and disruptions in the collection and recycling of platinum-bearing scrap. Although the investment sector continues to indicate strong growth in demand, the throttled automotive sector in particular is likely to cause a slump in demand. For gold and silver, however, the outlook remains rosy. Reliable figures are not expected until the end of the year.

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

Especially gold and silver, but also palladium, have already achieved the turnaround 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 producing with established and profitable deposits.



## Invest with the commodity professionals

You do not have to be a stock market professional to make wise investment decisions. Invest together with Swiss Resource Capital AG and Asset Management Switzerland AG in the mega-trend commodities. Since 05.03.2020 the experts' specialist knowledge has been available as a Wikifolio certificate:

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**WKN:** LS9PQA

**Currency:** CHF/ Euro\*

**Certificate fee:** 0.95 % p.a.

**Performance fee:** 15 % p.a.

\*Trading in Euro is possible at the Euwax in Stuttgart.

Currently the following titles are represented in the SRC Mining & Special Situations Certificate (4/2020): FRANCO NEVADA | BHP BILLITON | R.DUTCH SHELL B | MAG SILVER CORP. | ENDEAVOUR SILVER | AGNICO EAGLE | RIO TINTO | TOTAL FINA ELF SA B EO 10 | CALEDONIA MINING O.N. | FREE MCMORAN COP | ANGLO AMERICAN | URANIUM ENERGY CORP. | DYNACERT INC. | OSISKO GOLD ROYALTIES LTD | SIBANYE STILLWATER LTD | CHEVRON | FIORE GOLD LTD | URANIUM PARTICIPATION CORP. | MAPLE GOLD MINES LTD | ROYAL NICKEL CORP. | NEWMONT CORP. DL 1,60 | BLUESTONE RESOURCES | AURYN RESOURCES INC. | BARRICK GOLD CORP. | GOLDMINING INC. | COPPER MOUNTAIN MINING CORP. | MILLENIAL LITHIUM CORP. | ISOENERGY LTD. O.N. | SKEENA RES LTD NEW | AURANIA RES CAD R.S. | ENWAVE.



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

*Prof. Dr. Dennin, precious metals are in demand again and appear to be back in a long-term trend. Gold, silver and palladium in particular have recently been able to outperform strongly. What is behind this?*

In fact, gold has for the first time looked above the \$2,000 mark per troy ounce. There is some evidence that we are not only seeing a good year for precious metals and shares in gold and silver mines, but the continuation of a cycle reminiscent of the 1970s. Perhaps we are indeed only at the beginning of a golden decade for precious metals.

In fact, the conditions in the 1970s were very similar to those we can witness today. The USA threw on the printing press to finance the war in Vietnam and at the same time buried the monetary system in the form known up to that time, with the global reserve currency, the US dollar, at its core being backed by gold. Economic growth lagged behind potential growth, and finally the price level also rose - resulting in stagflation. As a result, gold became almost 800% more expensive. Today, all countries are using the virtual printing press in the fight against Corona. Our monetary and financial system, which has proven itself for 50 years, is reaching its limits. And despite years of quantitative easing by the central banks, economic growth in Europe and the USA has fallen short of its long-term trend. If the development of the economic fundamentals today follows a similar path - i.e. if history rhymes - then the prices of gold, silver, platinum and palladium will develop very positively in the coming years.

*Has the corona crisis and its accompanying symptoms given the precious metals sector another boost?*

In my opinion, many media misrepresent this connection: Neither the fear of a virus will let the gold prices rise, nor will the gold price collapse after the comprehensive vaccina-

tions. The correlation is much more fundamental: the state's economic policy response to corona and lockdown is a debt orgy of unprecedented proportions. To prevent this from shaking our monetary and financial system, interest rates must remain low for the foreseeable future.

Low interest rates, a strong expansion of the money supply and an erosion of confidence in the long-term sustainability of government debt are the impetus that has awakened precious metals from their slumber. If inflationary tendencies are now added to this, then we are facing the perfect storm for precious metals such as gold and silver.

*How do you expect the four most important precious metals gold, silver, platinum and palladium to perform in 2021? What price levels can investors expect in the next 12 to 18 months?*

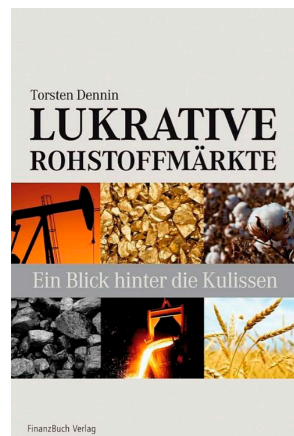
The American investment houses are among the most aggressive in their price forecasts. A price target of 3,000 US dollars was set by Bank of America in the spring, and Goldman Sachs sees the price of a troy ounce of gold rising to USD 2,300 next year. The fundamental conditions are right, and technically the gold price has broken out upwards, so that new highs are within reach. The silver price is quite different. Although silver briefly looked towards the USD 30 price mark in 2020, in order to surpass the 1980 highs, the fine ounce of silver would have to climb to over USD 50 (inflation-adjusted even to over USD 120). Compared to gold, this is a very large catch-up potential.

An important factor in asset management is the market size and related issues such as tradability, liquidity and value fluctuation (volatility). The by far smaller markets for platinum, palladium and rhodium together do not even reach the size of the silver market - investors must be aware of this.

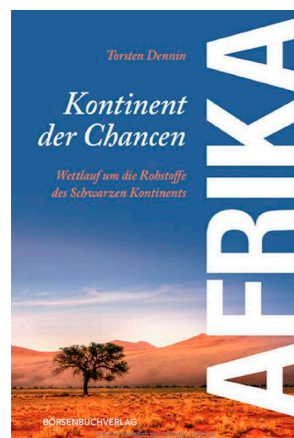


Dr. Torsten Dennin has over 15 years of professional investment experience. He is head of asset management at Asset Management Switzerland AG and founder and managing director of Lynkeus Capital, a Swiss investment company specialising in commodities.

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.



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



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

*From time to time precious metal investors are afraid of a gold ban. How realistically do you assess such a scenario and how should one protect oneself against it?*

Most investors probably consider a ban on gold ownership to be completely unlikely, although it is overlooked that in Germany, private ownership of precious metals was repeatedly subject to bans and restrictions between 1923 and 1955. In the world's most important economy, the U.S., a ban on private gold ownership even lasted from 1933 to the end of 1974. With the outbreak of the Great Depression, the state forced its citizens to hand over their gold to the Federal Reserve at a fixed exchange rate. And here lies the common root: a ban on gold ownership is usually issued by governments when states are in a currency crisis. And we are not far from a money and currency crisis because of the immense distortions of the Corona crisis.

One glimmer of hope is that gold bans have never been particularly effective because, unlike other valuables, gold could be easily hidden and removed from state control. Even if the probability of a renewed gold ban is low, it cannot be ruled out. Investors who want to play it safe here should consider buying shares in gold and silver mines. Because to prohibit private share ownership would mean the abolition of capitalism and the market economy. Especially since gold mines received a knighthood in August 2020 when value legend and star investor Warren Buffet took a stake in the company Barrick Gold. Because with current gold and silver prices of over 1,900 and 25 US dollars respectively, the operators of gold and silver mines promise record profits.

*In addition to your function as Head of Asset Management Switzerland AG, you are also Professor of Economics and active at the Berlin Institute of Finance, Innovation and Digitalization. How do you reconcile*

*these tasks, and what do you do better than your competitors?*

As a bank-independent financial services provider, Asset Management Switzerland AG specializes in business with wealthy private and corporate clients. As an asset manager, it is sometimes important to swim against the current in order to protect clients' assets. For example, we use capital-preserving material asset strategies as well as innovative savings plans on precious metals and crypto currencies such as Bitcoins.

Teaching at the university and working on projects of the Berlin Institute of Finance, Innovation and Digitalization regularly gives us new impulses, for example in the area of sustainability and new technologies such as Bitcoins and Blockchain. At the same time, we can pass on a lot of capital market know-how to the next generation. This combination of theory and practice is a success factor for our clients.

This also benefits our partners in alternative investment opportunities such as Lynkeus Capital, Angelmountain Global Wealth and SRC Swiss Resource Capital.

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 earnings and value of the company. With the SRC Mining & Special Situations Certificate we have launched an investment product this year which focuses on gold and silver mines. With a performance of almost +40% since issuance a super timing! An important factor here is the regular exchange with the management of each of our portfolio companies.

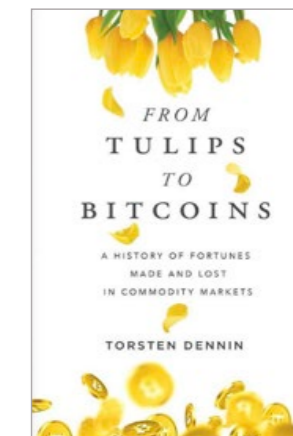
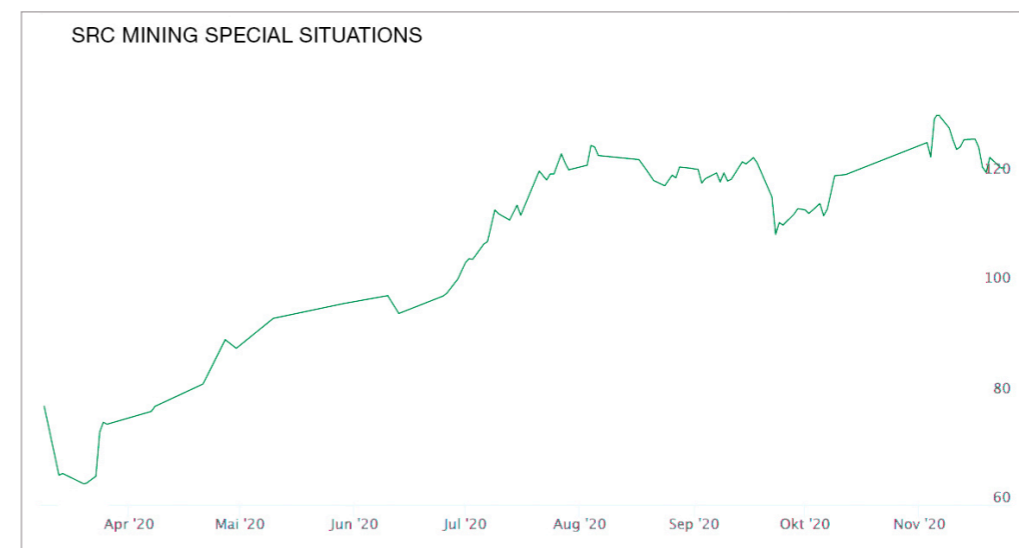
*In your books „Lucrative Commodity Markets - A Look behind the Scenes“ and „Africa. Continent of Opportunities“ you repeatedly*

*take up the topic of raw materials. What fascinates you so much about the commodity markets?*

In „Africa – Continent of Opportunities“ I show the attractive development opportunities of raw material projects in gold, silver and gemstones, among others. Africa is a continent that most investors still wrongly ignore - wrongly! Take a look at the development of Lagos, for example: The city in Nigeria is the second largest agglomeration on the African continent with almost 15 million inhabitants. Since the 1970s, this city alone has exploded by a factor of 10!

„Lucrative commodity markets“, on the other hand, focuses entirely on commodities - crude oil, natural gas, copper, gold and silver: all fascinating markets with their own dynamics.

To sum up, I am thrilled by the individual stories and the solidity of the commodity markets. You can touch a ton of copper just as you can touch a barrel of crude oil or a gold bar. Because especially in the current capital market environment, tangible assets such as raw materials and especially precious metals are playing an increasingly important role.



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

*Last summer, „From Tulips to Bitcoins“, your latest book was published by the American Greenleaf publishing house and a little later by the German Finanzbuchverlag. What can precious metal investors in particular take with them?*

I am pleased that „From Tulips to Bitcoins“ has now been translated into six languages and is widely read. The connecting theme is market speculation and financial bubbles: 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 US dollars, followed by a crash in which investors lost over 80% of their capital.

The systematics of most bubbles are the same – which is a hint that we are not currently in a bubble in gold or silver. But we are in the development of public debt. And when this bubble bursts, things will be very uncomfortable on the financial markets. Precious metals have a long tradition as a crisis currency and can help to secure assets.

*The SRC Mining & Special Situations Certificate focuses on gold and silver mines.  
 (Source: own presentation)*

# Bluestone Resources

## Lundin-led developer with advanced world-class gold project



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 licensed to produce up to 50 megawatts of power.

### Flagship project Cerro Blanco – location and infrastructure

Bluestone Resources' flagship Cerro Blanco project is located in southeastern Guatemala, approximately 160 kilometers 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 portals and several kilometers of underground development, including test mining and supporting infrastructure and water treatment plant.

### Flagship project Cerro Blanco – Exploration

Bluestone Resources has conducted several extensive drilling campaigns since 2018 to expand and upgrade resources in the North and South Zones. In 2019 and 2020 in particular, several high-grade mineralized intervals were encountered. These included 13.1 metres at 11.2 grams gold per tonne rock (g/t), 15.0 metres at 21.6g/t, 10.2 metres at 13.1g/t, 11.1 metres at 8.5g/t, 3.8 metres at 48.5g/t, 2.4 metres at 86.1g/t, 1.0 metres at 210g/t and 1.0 metres at 201.4g/t gold and 2,139g/t silver. In addition, another gold-bearing layer was discovered 2 kilometers east of the two main zones. This included 7.6g/t gold over 13.5 metres. The project area also has additional gold targets that are yet 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 undeveloped gold projects in the world. The latest estimates are from January 2019 (reserves) and November 2019 (resources) and do not include recent drilling. An updated resource estimate is expected to include the drill results from the South Zone.

### Flagship project Cerro Blanco – Feasibility Study

In November 2019, Bluestone Resources released a feasibility study that demonstrated a robust project with a quick payback. The study, based on a gold price of only US\$1,250 per ounce, had an average annual production of 113,000 ounces of gold, and a processing capacity of 1,250 tonnes per day, results in a 5% discounted net present value (NPV) of US\$241 million and an IRR of 34%. All-in-sustaining costs are estimated at US\$579 per ounce of gold, making Cerro Blanco one of the most cost-effective gold mines in the world. The initial mine life is 8 years, not including the recent drilling that has been completed and added 200,000 ounces to measured and indicated categories.

### Flagship project Cerro Blanco – Upcoming catalysts

The coming months will be characterized by three things in particular. First, drilling in the South Zone area. The main focus is on infill drilling and expanding the current high-grade resource. Secondly, project funding for mine construction. 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

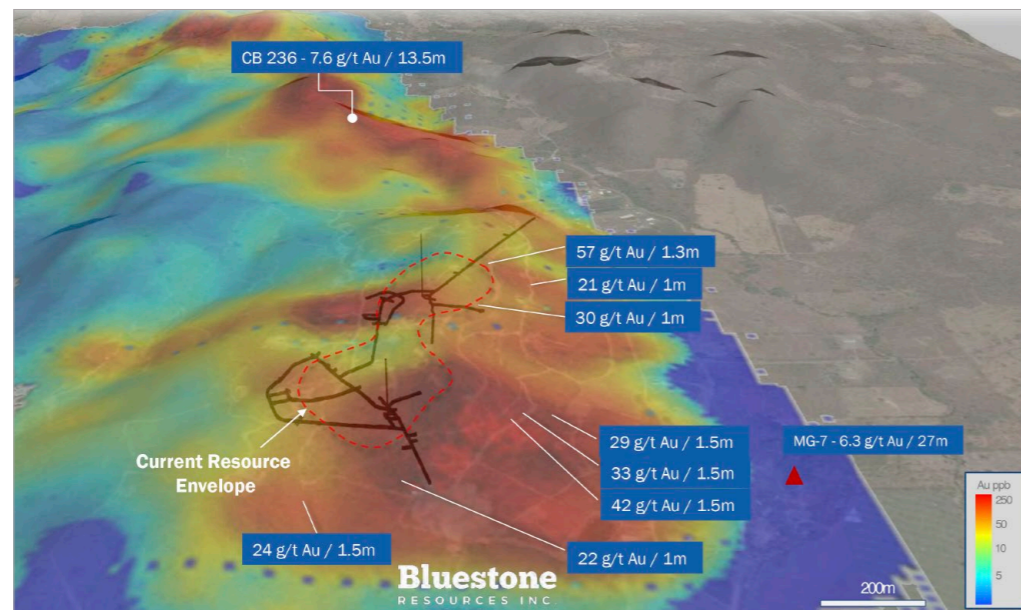
to manage the project including optimization of all aspects of the design, detailed design and basic engineering.

### Mita Geothermal Project

The Mita Geothermal Project is a geothermal resource located 5 kilometers east of the Cerro Blanco Gold project. Previous owners invested approximately US\$60 million in the exploration and development of the Mita Geothermal project. Sinclair Knight Merz completed a feasibility study in 2013 that resulted in a positive economic evaluation. Bluestone Resources is evaluating several options to advance the commercialization of the Mita Geothermal project. Initially, synergy could be achieved by using energy generated by Mita to meet the mine's energy needs. This could be followed by the development of a larger geothermal power plant that could generate the rest of the energy needed for operation and even energy for the general power grid. A total of 19 geothermal wells have already been drilled at Mita. 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. The development of a deeper geothermal reservoir could enable additional power generation 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 resource sector and serves on the board of Denison Mines, among others.



Regional gold-in-soils and historic drill results  
(Source: Bluestone Resources)

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.

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 sufficient cash**

Bluestone Resources has some very high caliber shareholders. The largest single shareholder is the Lundin family, which holds approximately 26% of all outstanding sha-

res. 12% is held by CD Capital, 2% by Newmont, approximately 5% by management and 35% by other institutional investors. Only about 20% are traded as free float.

**Summary: Full speed ahead to 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. With the recent financing, a major step towards the full financing of the planned mine. Financially strong partners already hold large stakes in Bluestone Resources and could help with the further financing. The company already owns one of the highest-grade undeveloped gold projects in the world and, according to the feasibility study, could also produce at all-in costs of less than US\$600 per ounce. As of today, this could generate a free cash flow of over US\$1,000 per ounce.



(Source: Bluestone Resources)

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

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

The last twelve months have been busy, I joined as CEO in January this set the stage for the development of Cerro Blanco. The pandemic has been challenging for everyone, fortunately for us given the stage which the project was at, we were able to continue to advance with engineering and execution planning. We raised C\$92M in the middle of the pandemic which will allow us to continue to de-risk the project and advance to construction. Basic engineering, optimization and trade off studies were the focus for the second half of the year, those will conclude shortly. Drilling continues at the project, focused on the South zone where we are looking to infill and extend known veins in the current resource estimate. We are currently about halfway through a 12,000 m drill program.

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

The next twelve months will be a transformational time for Bluestone as we will look to kick off construction in the early part of 2021. Major catalysts to watch for include the project debt package, drill results and ultimately construction mobilization and kick off. Once in construction it is about a year and a half build, which would put us in production in the second half of 2022.

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

We are very bullish on gold and on the natural resources sector in general. All the uncertainty in the markets, gold provides a stable alternative. From a price perspective it is a very good time to be initiating construction of a new gold mine.

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

Shares outstanding: 143.5 million  
Options: 5.7 million  
Warrants: 8.7 million  
Fully diluted: 157.9 million

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**Bluestone Resources**





# Caledonia Mining

## Production increase of 45% expected within only 2 years! – Dividends increase by 45% within one year already realized!



Steve Curtis, CEO

Caledonia Mining is a mining, exploration and development company with a focus on Zimbabwe. Its main asset is a 64% interest in the Blanket Gold Mine, where the company produced 27,732 ounces of gold in the first half of 2020 and increased their annual guidance for the year to between 55-58,000 ounces. By 2022 the Company plans to increase its annual production by 45%, up to 80,000 ounces. The company pays a high quarterly dividend, which has already been increased three times this year and is investing in the company's future growth by evaluating new investment opportunities in Zimbabwe.

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

Caledonia Mining initially held 49% of the Blanket Gold Mine. Following the change of government that resulted from the ousting of former president Mugabe, the regulations requiring local ownership were relaxed. In August 2018 Caledonia Mining announced that an agreement had been reached to purchase a further 15% of the Blanket mine from local partners which increased Caledonia's interest in the Blanket Gold Mine to 64%.

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

Caledonia Mining reported strong production figures for the first half of the year. In the first

half of 2020, 27,732 ounces of gold were mined at all-in-sustaining costs of only US\$868 per ounce (2nd quarter), which puts the Blanket Mine in the lower quarter of all-in costs worldwide. Gross profit in the 2nd quarter of 2020 alone was US\$9.2 million. At the end of June 2020, Caledonia Mining had approximately \$11.7 million in cash or cash-like positions.

### 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 acquired the project and built an expanded carbon-in-leach plant with a capacity of approximately 3,800 tonnes per day. Gold production reached 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, the expansion of the No. 4 shaft was commissioned, increasing Blanket's lift capacity from 500 tonnes per day to 2,000 tonnes per day.

### 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 meters wide and are ideal for open stope, long hole mining. Shaft No. 4 is Blanket's main shaft for lifting ore from the loading stations at 510 metres and 789 metres depth and has a proven lifting capacity of 110 tons per hour from 789 metres. The Jethro and Eroica shafts and the Winzes No. 5 and No. 6 shafts are used to transport people and mate-

rials underground, while the No. 2 and Lima shafts are also used to lift ore to the surface. Declines provide temporary access to allow mining below 750 meters pending the completion of the new Central Shaft, which is discussed below.

### Blanket Gold Mine – Massive expansion of production capacities

In late 2014 the company decided to sink a new Central Shaft between AR Main and AR South to a depth of over 1,200 metres to provide access for production and further exploration below 750 metres. The company already has substantial reserves and resources to a depth of approximately 1,100 metres. The Central Shaft, with a diameter of 6 metres, was sunk to a depth of over 1,200 metres, and will make it possible to significantly increase production with access to three new operating levels. The Central Shaft will also provide access for further exploration at depth: the Company is confident that with further drilling, existing resources may be upgraded to a higher level of confidence in addition to the possibility that additional resources may be discovered. Caledonia Mining has already invested more than US\$60 million since early 2015 (US\$20 million in 2019 alone) in the Central Shaft. The shaft sinking phase of the project was completed in July 2019 and the shaft is currently being equipped with steelwork and other infrastructure which is expected to be completed before the end of 2020; the shaft is expected to be commissioned in the first quarter of 2021 and is currently in the equipping stage.

### Blanket Gold Mine – new central shaft in operation from 2021

The Central Shaft is expected to be operational in the first quarter of 2021 and then provide a significant increase in production, while

reducing all-in costs to between \$700 to \$800 an ounce range. 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 which has improved metallurgical recovery to approximately 94% and reduced cyanide consumption. Additional diesel generators have also been installed and commissioned to fully compensate for any power outages. In addition, the company plans to install a 12 MW solar project which will be up and running by the end of 2021, for which sufficient funds are already available. Voltaia, which is very active in the African continent, has already been engaged for this purpose. It is expected that the planned plant will be able to cover about a quarter of the total energy demand.

### Blanket Gold Mine – Continuous 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, 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 metres, within which additional resources are also believed to be present. In particular, the Feudal, Jethro and Blanket areas may host a coherent ore structure that has not been delineated to date. The new Central Shaft will provide excellent access to all new areas to be developed from next year.

Smelter at Blanket Gold Mine  
(Source: Caledonia Mining)



### Dividend payment since 2012 – Attractive dividend yield

Caledonia has been a consistent dividend payer since 2012 on a quarterly basis. Initially the dividend was denominated and paid in Canadian dollars, but more recently the dividends have been denominated in US dollars. In 2016 Caledonia re-domiciled from Canada to Jersey in the Channel Islands which means that non-Canadian investors no longer suffer Canadian withholding tax on their dividends. The Company has consistently indicated it intends to use some of the increased cashflows that it expects to realise once the Central Shaft is commissioned to increase dividend payments. However, even before the Central Shaft has been completed, the Company has already increased its quarterly dividend three times in the last 12 months due to its improved financial performance resulting from the higher gold price. The dividend has increased by 45% from US\$0.06875 in October 2019 to US\$0.10 in October 2020.

### Summary: Several top investment advantages

Caledonia Mining has four key investment points. Firstly, that management was able to significantly increase the Company's interest in the mine from 49% to 64%. Secondly, the company is only a few months away from commissioning the new Central Shaft which will not only significantly increase production, but also reach new mining levels where significant resources have already been demonstrated. Thirdly, with the increase in free cash flow, management plans to continue to distribute part of it to shareholders in the form of dividends. Fourthly, that management is investing in the company's future by reviewing new attractive investments opportunities in Zimbabwe.

All in all, the prospects are very good for investors who will benefit from the coming gold boom, especially since Caledonia Mining has high margins and thus a high leverage on the gold price.

We also announced three increases to our dividend this year, with the most recent one in October increasing to 10 cents a share, a cumulative 45% increase to the dividend that we announced in October 2019 and as we go forward and continue to reduce our costs and increase our production there is no reason why this dividend should not be increased further.

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

In 2015 Caledonia first announced that it was starting construction of the central shaft at the Blanket mine, a \$63 million project which has been fully funded through internal cash flow and is one of the largest gold mining investment projects in Zimbabwe. We are now in the final stages of the project, with shaft equipping to be completed in Q4 2020 and commissioning to be completed in Q1 2021. We remain on track to hit our annual target of 80,000 ounces by 2022.

We do however see the importance of investing in future growth and this increased production, together with a higher gold price, means that we expect to have the financial

capacity to consider further substantial investments in the Zimbabwe gold sector, to expand the Company and further increase our production. As well as looking at a number of private opportunities we also signed an agreement with the Government of Zimbabwe under which Caledonia will evaluate mining projects in the gold sector that are controlled by the Government with a view to assessing the potential to advance development on these properties.

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

We can only comment on gold, but we think the outlook is very bullish indeed. Levels of global sovereign indebtedness are at record high levels and central bank monetisation of this debt is also unprecedented. Recent experience towards the end of 2019 shows that monetary policy options to raise interest rates without causing dislocations in financial markets are severely limited which in effect constrains future central bank monetary policy responses which might otherwise cause gold prices to moderate. In our view all of these indicators point towards sustained higher gold prices for several years.



Mark Learmonth, CFO

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

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

This has been a good year for a Caledonia, January started well with a stream of positive news flow, including that we had increased our shareholding in Blanket to 64% by purchasing 15% off Fremiro Investments.

Operations during the 3-week lockdown, in early April, ran at 93% of planned production and production in the whole of Q2 was only 1.2% below plan. We have subsequently made up the lost production due to COVID: Gold produced in the nine months to September 30 was 42,896 ounces, 12 per cent more than the 38,306 ounces produced in the nine months to September 30 2019 and, as a

result, in October we were able to increase our annual production guidance from 53-56,000 ounces to 55-58,000.

To reduce our dependency on the Country's grid power, this year Caledonia approved the construction of a 12MW solar plant at a cost of approximately \$12 million. To fund the project, we completed an issue of equity through an ATM fundraise – raising \$13million. We expect to have the plant operational by the end of next year and have appointed Voltaia, an international renewable energy provider, as the contractor for the project. Once constructed it will provide approximately 27% of Blanket's total daily electricity demand and reduce Blanket Mine's environmental footprint.

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

Shares outstanding: 12.1 million  
Options: 38,000  
Fully diluted: 12.1 million

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## Caledonia Mining Corporation plc



# Condor Gold

## 5 million ounces of gold within reach, bankable feasibility study underway



Mark Child, CEO

Condor Gold is a British mining development company specializing in gold/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 into bankable 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. Asphalted roads 26, 35C and 48 pass directly through the project site, the Pan America Highway is only 15 kilometers 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, primarily by the Canadian mining company Noranda Inc. Condor Gold has completed nearly 400 drill holes totaling approximately 59,000 metres by 2017 inclusive. In addition, more than 18,000 meters of trenching has been completed. 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-kilometer radius of La India's central project area.

### Flagship Project La India – 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 estimates 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 runs along the northern part of the concession area for approximately 12 kilometers. There, sampling has already identified 142g/t and 52g/t gold. The Cacao target area in the eastern part of the property returned 17 metres of 2.6g/t gold. In addition, other areas have also returned samples with gold grades in excess of 5g/t in some cases. In October 2020, Condor Gold commenced a ground assay program consisting of 20 geotechnical drill holes and 58 test pits on the Tailings Storage Facility, the water retention basin and the processing plant.

### Flagship Project La India – Prefeasibility Study

A pre-feasibility study, which was completed as early as 2013 and is initially based only on open pit resource mining, an annual proces-

sing of 800,000 tonnes of rock and a gold price of US\$1,250, comes up with a net present value (NPV) of US\$92 million and a return on investment (IRR) of 22%. The average annual gold production was 79,300 ounces over an 8-year mine life. 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, making it one of the most cost-effective gold mines in the world.

### Flagship Project La India – Mine permit, 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.

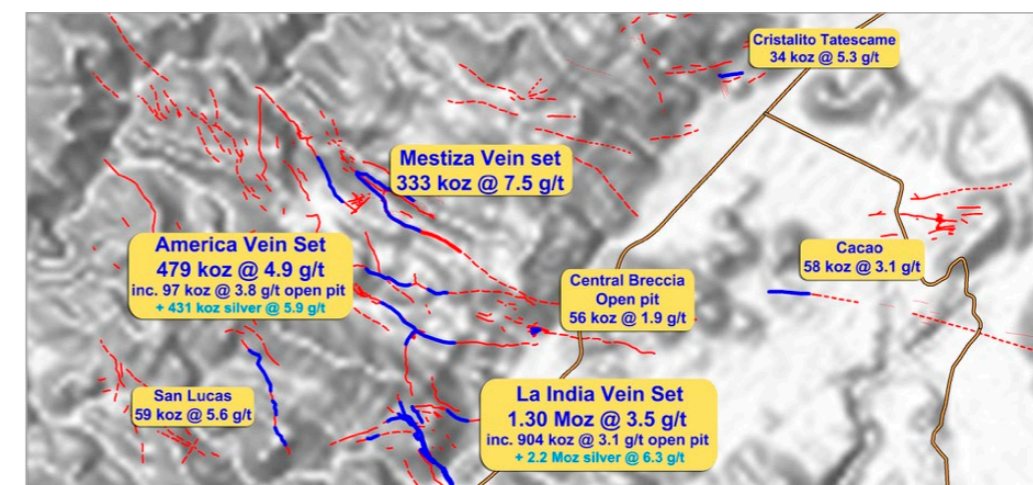
This should also include an expansion of production with admission. Condor Gold is currently working to obtain approval to produce a further 500,000 ounces, primarily from sa-

telite pits, in addition to the approximately 600,000 ounces included in the prefeasibility study. The Company has already received several of these permits during 2020. These include the Mestiza feeder pit, which has an average gold grade of 12.1g/t in the indicated category. The Company also received an environmental permit for the America Open Pit, which hosts 97,000 ounces of gold.

The Company achieved a significant milestone by purchasing 85% of the currently approved area, including all existing infrastructure and key sites for the planned extraction and processing areas.

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 La India approved 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 production of 150,000 ounces per year. Subject to financing, completion of a bankable feasibility study and completion of the final technical de-



La India resources  
(Source: Condor Gold)

signs, 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 is also the option of toll milling. Calibre Mining has a 2,000 ton per day processing facility that is currently unused. It is located approximately 130 kilometers 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 financing, 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 primarily 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 the board level, Child has served as Managing Director of the Hong Kong listed Regent Pacific Group, among others.

Non-Executive Director Jim Mellon is not only Condor Gold's largest shareholder (see below) but also a renowned fund manager. He began 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 mineral 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 – Ross Beaty on board

Condor Gold has a strong shareholder base. Condor Gold's Non-Executive Director Jim Mellon alone holds approximately 15.9% of all outstanding shares. This is followed by Nicaragua Milling Company Ltd with 6.97%, star investor Ross Beaty with 5.8% and CEO Mark Child with 3.6%. Another 4.2% is held by Oracle Investments, so that more than 36% of all outstanding Condor shares are in strong, long-term oriented hands. In this context it is interesting to note that several insiders and directors have increased their shareholdings in the current year.

### Summary: The feasibility study is likely to become a game changer

Condor Gold's CEO Mark Child has a clear match plan: He has already completed the consolidation of the historic La India District. A pre-feasibility study has been completed and was positive. A mining permit was granted, primarily for surface mining. What follows now is a bankable feasibility study that will remove the last bit of residual economic risk from the project. After that the company will start the financing, which could succeed with an estimated capital cost of 100 million US\$. 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 required to quickly reach a production of over 100,000 ounces of gold per year. The purchase of a large part of the current mine areas gives the company a great advantage and leads to a further reduction of the project risk. The company is well financed. A total of £6.6 million was generated through financing and approximately £1.4 million through the exercise of warrants during 2020.

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

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

1. Permitted two additional feeder pits increasing the permitted open pit material to 1.12M oz gold, permitted for extraction
2. Completed mining dilution studies demonstrating the permitted, fully diluted mill feed is 8.6 million tonnes at 3.0g/t gold for 845,000 oz gold
3. 120,000 oz gold production p.a. for 7 years + 50% compared to the PFS
4. Engineered 45% of the tailing storage facility
5. Purchased 93% of the land for the permitted La India mine site infrastructure
6. Hired hydrologists, mining engineers, mine planners, geochemists to advance the project
7. Instigated site wide water balance
8. US\$10m raised
9. De-risked the project by completing several mining studies

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

1. Site preparation, clear the site
2. Purchase processing plant
3. Buy 100% land
4. Complete engineering studies
5. Infill drilling
6. Geotechnical drilling
7. Start construction of the mine

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

There is a consolidation of gold price after a 25% increase this year. Expect US 10-year interest to go negative in 12 months, taking gold to US\$2,500 per oz.

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

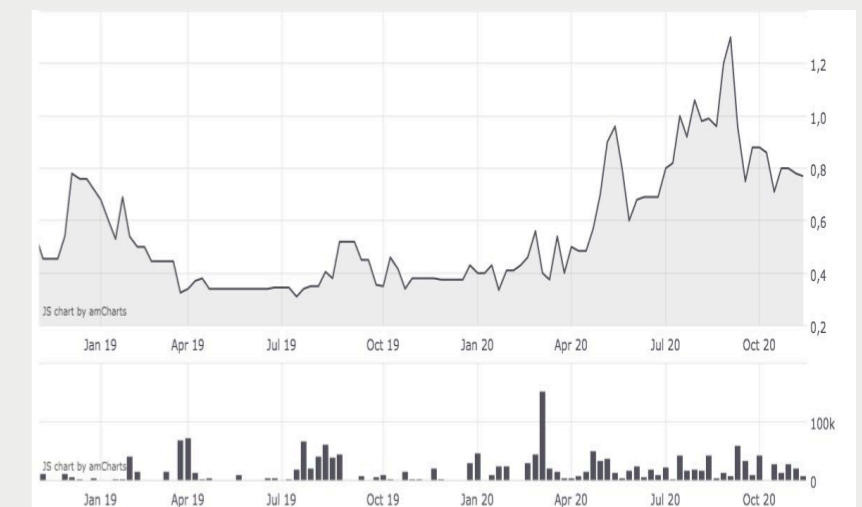
Shares outstanding: 117.9 million  
 Options: 11.8 million  
 Warrants: 14.2 million  
 Fully diluted: 143.9 million

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## Condor Gold Plc



# Endeavour Silver

## Sector Leading Growth of Earnings, Production and Resources



Bradford Cooke, CEO

Endeavour Silver is a mid-sized silver mining company that operates three high grade silver-gold mines in Mexico and trades on the New York (EXK), Toronto (EDR) and Frankfurt (EJD) Stock Exchanges. The Company produced 2.4 million ounces of silver and 24,553 ounces of gold (4.4 million ounces of silver equivalents) in the first nine months of 2020, notwithstanding a two-month shut down in the 2nd quarter by government mandate due to the COVID pandemic, and is on track to meet its original production guidance of a minimum 6.0 million oz silver equivalents for 2020.

The Company has several catalysts to create shareholder value both short and long term:

- 1) Complete the operational turn around to reduce operating costs at Guanacevi and Bolanitos by expanding mine production to fill the two plants to their 1200 tonne per day capacities by year-end
- 2) Develop Terronera as its fourth, largest and lowest cost mine over the next 2-3 years to potentially double its metal production, half its operating costs and become the next senior silver producer.
- 3) Extend mine lives by expanding resources around the three existing mines
- 4) Discover a large gold-silver deposit by drilling world class prospects in northern Chile

### Dynamic Growth in Third Quarter 2020

The Third Quarter 2020 was a break-out quarter for Endeavour's financial and operating performance. Endeavour produced 1.8 million oz silver equivalents in Q3, 2020, up 6% from Q3, 2019, with cash costs down 68% to \$3.69 per oz silver and all-in sustaining costs down 19% to \$17.48 per oz silver. All three mines generated significant free cash flow in Q3, 2020. Because of rising

metal prices and falling operating costs, revenues were 29% to \$35.6 million, cashflow was up 397% to \$10.3 million and net earnings rose from a \$6.8 million loss in Q3, 2019 to a \$0.5 million gain in Q3, 2020. That does not include a significant amount of silver and gold bullion produced and added to metal inventory, if the Company had sold that metal, its adjusted net earnings would have been \$10.2 million.

### Guanacevi Mine

Endeavour Silver's first and largest silver mine at Guanacevi in Durango was acquired in 2004, then modernized and expanded to its current capacity of 1,200 tonnes of ore per day (tpd). The Company mined 2.1 million ounces of silver and 6,616 ounces of gold (2.6 million ounces of silver equivalents) in the first nine months of 2020. In recent years, Guanacevi became a high cost mine so management initiated an operational turn around in early 2019. As a result, operating costs have fallen sharply and Guanacevi should be the Company's most profitable mine in 2020. Management continues to see significant opportunities to acquire mineral concessions and make new discoveries in the Guanacevi district.

At the end of 2019, reserves were 6.9 million ounces of silver equivalent and resources were 26.9 million ounces of silver equivalent. Brownfields drilling in 2020 successfully discovered new high-grade extensions of the El Curso orebody so resources are expected to increase by year-end. Drilling highlights in 2020 include 1,085 grams per tonne (gpt) silver and 3.25 gpt gold for 1,410 gpt silver equivalents over 10.0 metre (m) true width; 762 gpt silver and 1.87 gpt gold for 949 gpt silver equivalents over 5.1 m true width; and 986 g/t silver and 1.43 g/t gold for 1,129 gpt silver equivalents over a 4.8 m true width.

### Bolañitos Mine

The Company's second and historically most profitable mine at Bolañitos in Guanajuato was acquired in 2007, then modernized and expanded to its current capacity of 1,200 tpd. Endeavour mined 0.3 million ounces of silver and 12,209 ounces of gold (1.2 million ounces of silver equivalents) in the first nine months of 2020. Last year, Bolañitos also started losing money so an operational turn around was launched in late 2019. As a result, operating costs are now falling, and the mine is generating free cash flow in 2020.

At the end of 2019, reserves were 2.9 million ounces of silver equivalent and resources were 13.4 million ounces of silver equivalent. Brownfields drilling in 2020 successfully discovered new high-grade extensions of the San Miguel and Melladito orebodies so resources are expected to increase by year-end. Drilling highlights in 2020 include 24.3 gpt gold and 787 gpt silver for 2,731 gpt silver equivalents over a 1.5 m true width; 12.5 gpt gold and 50 gpt silver for 1,050 gpt silver equivalents over a 1.1 m true width; and 7.37 gpt gold and 170 gpt silver for 760 gpt silver equivalents over a 2.7 m true width. Management continues to see significant opportunities to acquire mineral concessions and make new discoveries in the Guanajuato district.

### El Compas Mine

Endeavour Silver's third and most gold rich mine at El Compas in Zacatecas was acquired in 2016 and brought into commercial production in 2019 with a 250 tpd capacity. The Company mined 63,199 ounces of silver and 5,728 ounces of gold (0.5 million ounces of silver equivalents) in the first nine months of 2020. This is Endeavour's smallest mine so does not have a big impact on the Company's consolidated performance, but the mine is operating close to plan and generating positive free cash flow.

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. Drill results in recent years included 4.7 metres grading 240 gpt gold and 1,333 gpt silver for 20,533 gpt silver equivalents, among others. Endeavour is also drilling their Calicanto property close to the Compas plant, with positive drill results from numerous veins. Through a joint venture with Capstone Mining and their neighbouring Cozamin mine, Capstone has discovered significant copper, zinc and lead veins at Calicanto and is already starting to mine the copper vein at Calicanto. Endeavour expects to receive significant royalty income from Capstone in 2021.

*The operating costs have fallen sharply and Guanacevi should be the Company's most profitable mine in 2020. (Source: Endeavour Silver)*



### Terronera Development Project

Optioned in 2010 and purchased in 2013, Terronera in Jalisco is potentially Endeavour's next core asset and its largest and most profitable mine. This is a district scale property covering more than 50 old mines and dozens of prospective silver-gold veins on 17,369 hectares. To date, Endeavour has spent around \$29 million on exploration to discover 71.0 million ounces of silver equivalent reserves plus 13.6 million ounces of silver equivalent resources by the end of 2019. The Company halted drilling in 2018 to focus on completing a pre-feasibility study and drilling has now resumed to test several new prospective targets on the property.

In July 2020, Endeavour Silver released a final pre-feasibility study (PFS) for Terronera, based on a production capacity of 1,600 tpd. The mine will produce an estimated 3.0 million oz silver and 33,000 oz gold over a minimum 10-year mine life for 5.9 million oz of annual silver equivalent production. The initial cost of capital was estimated at US\$99.0 million, with an additional US\$60.0 million of sustaining capital over the life of the mine. Operating costs are expected to be amongst the lowest in the silver mining sector, with a cash cost of \$0 per oz silver and an all-in sustaining cost of \$2.10, net of the gold by-product credit.

Based on metal prices of US\$15.97 per ounce of silver and US\$1,419 per ounce of gold, the Terronera project generates robust economic returns, including after tax net present value (NPV) of \$137 million, an internal rate of return (IRR) of 30.0% and a capital payback period of 2.7 years. At updated metal prices of \$1950 gold and \$26 silver, those economic returns improve to a \$350 million NPV, a 65% IRR and a 1.1-year payback, generating an estimated \$57 million per year in after-tax free cash flow. In September 2020, Wood plc. was appointed to prepare a feasibility study for Terronera. This should be completed around mid 2021 at a cost of \$1.5 million. Endeavour has already hired a project development team, all major government permits have been received and once a production decision is made in 2021, the mine will take around 18 months to construct and commence production in 2023. Once in production, Terronera has the potential to double the Company production and half its consolidated operating costs.

### Parral Development Project

Acquired in 2016, Parral in Chihuahua represents another prime development opportunity for Endeavour. The property covers the heart of another historic silver mining district in Mexico and the Veta Colorada mine produced around 4 million oz silver per year until closing due to low silver prices in 1990. Endeavour has delineated a 42.2 million oz silver equivalent

resource, still wide open for expansion with many undrilled targets. The Parral project covers four main veins that extend over a length of eight kilometers and are up to 40 meters thick. Several high-grade drill results have been reported, including 1,660 gpt silver, 0.72gpt gold, 6.52% lead and 14.45% zinc over 2.3 m and 0.6 m grading 13,117gpt silver. The Company halted drilling in 2019 to focus on Terronera and drilling will resume in 2021 to test several new prospective targets on the property.

### Chile Exploration Projects

In early 2019, Endeavour Silver announced that it had secured a portfolio of three world class exploration projects in northern Chile. After spending several million dollars over several years on extensive geological, geochemical, geophysical and other surveys, the Company has outlined bulls eye targets ready for drilling at each property. Cerro Marquez is a large porphyry copper-gold target which Endeavour plans to joint venture with a major copper producer. Paloma is a multi-million oz high sulfidation epithermal gold target now being drilled, with initial results expected in early 2021. Aida is a bulk tonnage epithermal silver target to be drilled in 2021.

### Summary: Strong Cashflow growth + huge upside potential in Chile

Endeavour gives shareholders exposure to strong cash flow growth thanks not only to rising metal prices but also falling operating costs. They also benefit from the Company's sector leading organic growth profile, with not one but two new discoveries that can be developed to drive future production growth. And finally, Endeavour offers investors the upside potential for new world class discoveries in Chile. All of this adds up to a sector leading leverage to earnings, production and resource growth.

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

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

Over the past year, Endeavour Silver went through a major transition period and accomplished a number of key milestones:

- 1) we suspended operations at the El Cubo mine for lack of reserves,
- 2) initiated a sweeping operational turn around at the three mines to reduce costs,
- 3) went from losing money to making money as a result,
- 4) extended our mine lives by expanding resources through successful brownfields exploration,
- 5) boosted the economic potential of our next mine by completing a final pre-feasibility study and initiating a full feasibility study
- 6) strengthened our management team with two new appointments,
- 7) survived a two-month shut down of the mines by government mandate due to the COVID-19 pandemic,
- 8) and bounced back ahead of plan with a strong 3rd quarter of production and cash flow

a sector leading organic growth profile amongst silver miners

- 3) Extend mine lives by expanding resources around the three existing mines
- 4) Discover a large new gold-silver deposit by drilling world class prospects in northern Chile
- 5) Grow through accretive mergers and acquisitions that increase our resources, production, cash flow and earnings per share
- 6) Terronera is set to become Endeavour's largest and lowest cost mine, with the potential to double the consolidated production and half the operating costs.
- 7) Probable reserves total 72.5 million oz silver equivalents (80:1 gold:silver ratio) with another 13.2 million oz AgEq in inferred resources, and many veins remaining to be drilled.

*Guanacevi is Endeavour Silver's highest-grade silver mine (Source: Endeavour Silver)*

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

We can create shareholder value short term in five main ways:

- 1) Complete the operational turn around at Guanacevi and Bolanitos by expanding mine production to fill the plants to their 1200 tonne per day capacities by year-end – that should further reduce operating costs
- 2) Continue to develop Terronera and Parral as our next two core assets to expand our metal production and profit margin –



8) The project is now fully permitted and will produce around 6 million oz AgEq per year for 10 years at a cash cost of \$0 and an all-in sustaining cost of \$2.10 per oz silver net of the gold credit (in other words, gold pays for the operations and the silver is effectively free). Terronera should become one of the lowest cost mines in the silver mining sector.

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

After gold and silver double bottomed in 2015 and 2018, gold started a new secular bull market in 2019 but silver seemed reluctant to join the party until recently. This is typical of silver because wherever gold goes, silver lags behind and then plays catch up when investors reawaken to the monetary value of holding silver:

1) Record low interest rates, all time high debts and deficits, global money printing to spur economic recovery after the COVID pandemic – these are all key reasons why investors are now adding gold to their portfolios

- 2) Central banks continue to forecast more of the same for the next 2-3 years so cash has nowhere to go but stocks, which are already at extreme valuations, and hard assets, because they rise in value as the purchasing power of fiat currencies declines
- 3) Short term, the precious metals are currently in a correction and consolidating their gains from earlier this year
- 4) However, I expect to see them break out to test their recent highs before year-end, possibly after the US election
- 5) Long term, gold and silver should peak when interest rates start rising once again
- 6) Silver should outperform gold as it usually does in a bull market – the ratio peaked at 125 in March, is currently around 80, and could decline below the low of 31 set in 2021

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

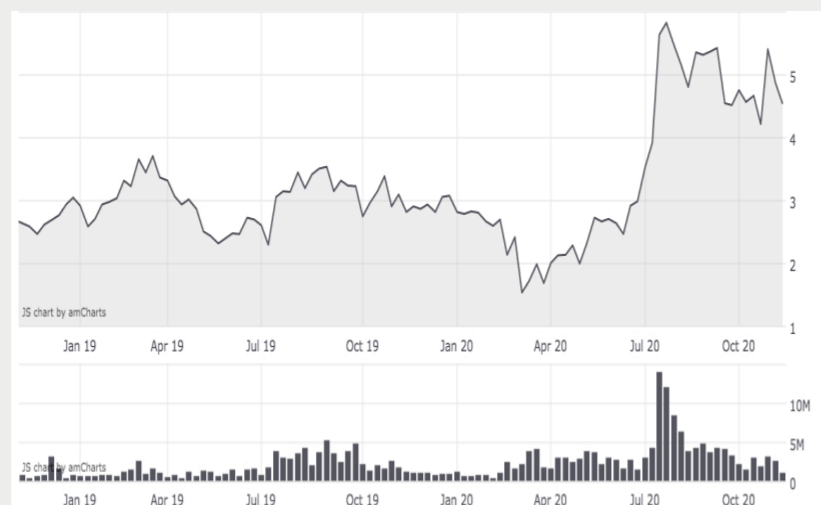
Shares outstanding: 154.9 million  
 Options/PSUs: 10.2 million  
 Warrants: -  
 Fully diluted: 165.1 million

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## Endeavour Silver Corp.



# First Majestic Silver

## Rising profitability, streaming deal and investor legend Eric Sprott on board

First Majestic Silver is a Canadian mining company with a clear focus on producing silver from its three highly profitable Mexican mines. In 2019, the company produced 25.6 million ounces of silver equivalent (including all by-products), which represented a new corporate record. In 2020, it expects to see slightly lower production between 21.4 and 22.9 million ounces of silver equivalent due to Covid-19 and a stronger gold:silver ratio, while aggressively pursuing mine development and exploration projects. Over US\$130 million will be invested in these projects.

### San Dimas Silver/Gold Mine

The San Dimas Silver/Gold Mine is First Majestic Silver's largest and lowest cost mine by far. It has a daily processing capacity of 2,000 tons. In the first nine months of 2020, the mine produced a total of approximately 9.2 million ounces of silver equivalent. The Company expects to recover between 13.5 and 14.4 million ounces of silver equivalent at an all-in cost of less than US\$8.22 per ounce in 2020. 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 systems, smelter and mines. Among other things, a 3,000tpd High-Intensity Grinding (HIG) mill is planned to be installed in 2021, which will use rotating grinding discs with ceramic balls to finely grind ore down to 20 to 50 microns, which has been shown to significantly increase recovery rates. HIG mills are characterized by low energy consumption and reduced maintenance compared to standard ball mills. The new mill is expected to be operational in the second half of 2021. The re-commissioning of the formerly producing Tayoltita Mine is planned for 2020. This operation also draws

more than 50% of its energy requirements from low-cost hydropower.

### Santa Elena Silver Mine

The Santa Elena Silver Mine has a daily processing capacity of 3,000 tons. In the first nine months of 2020, the mine produced a total of approximately 3.3 million ounces of silver equivalent. The Company expects to recover between 4.8 and 5.2 million ounces of silver equivalent in 2020 at an all-in cost of less than US\$9.43 per ounce from the mine. 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 at the end of 2019. First Majestic has already installed a 3,000tpd HIG mill on Santa Elena. Starting in the first quarter of 2021, the operation is expected to be powered entirely by liquefied natural gas saving the Company approximately US\$9 million, or \$1.50 per ounce, on a go-forward basis.

### Santa Elena – Satellite Project Ermitano

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 67.9 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 the second quarter of 2021. A pre-feasibility study is scheduled for completion in Q1 2021. First Majestic Silver has recently reported spectacular drill results from Ermitano. These included 13 metres at 1,003g/t silver equivalent, 9.9 metres at 1,209g/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



Keith Neumeyer, CEO

all-in costs. First Majestic Silver also has more than 100,000 hectares of land in the vicinity of the Santa Elena Mine that offer additional potential for additional discoveries.

### La Encantada Silver Mine

La Encantada, an almost 100% silver mine, has a daily processing capacity of 3,000 tons. In the first nine months of 2020, a total of approximately 2.4 million ounces of silver were produced at the mine. The Company expects to recover between 3.1 and 3.3 million ounces of silver at an all-in cost of less than US\$13.07 per ounce from the mine in 2020. La Encantada had Measured and Indicated resources of 32.0 million ounces of silver (including 23.8 million ounces of silver reserves) and Inferred resources of 15.5 million ounces of silver at the end of 2019. First Majestic Silver is currently working on a modification of the roasting circuit to reprocess tailings, which is expected to generate 1.5 million ounces of silver per year of additional production. 90% of the energy required is produced by low-cost natural gas generators.

### Mines in maintenance and preservation mode

First Majestic Silver has additional mine projects that may be brought back on stream in the future and could help increase overall production.

### La Parrilla Silver Mine

The La Parrilla Silver Mine has a daily processing capacity of 1,000 tonnes and 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. The 69,478-hectare concession area with several old mines provides ample opportunity for additional resources.

### Del Toro Silver Mine

The Del Toro Silver Mine has a daily processing capacity of 1,000 tonnes and had an Indicated Resource of 10.7 million ounces of silver equivalent and an Inferred Resource of 10.5 million ounces of silver equivalent at the end of 2019. The Del Toro silver mine covers approximately 2,159 hectares of land.

### San Martin Silver Mine

The San Martin Silver Mine has a daily processing capacity of 900 tonnes and had an Indicated Resource of 9.0 million ounces of silver equivalent and Inferred Resource of 17.6 million ounces of silver equivalent at the end of 2019. San Martin has approximately 38,500 hectares of exploration potential.

### La Guitarra Silver Mine

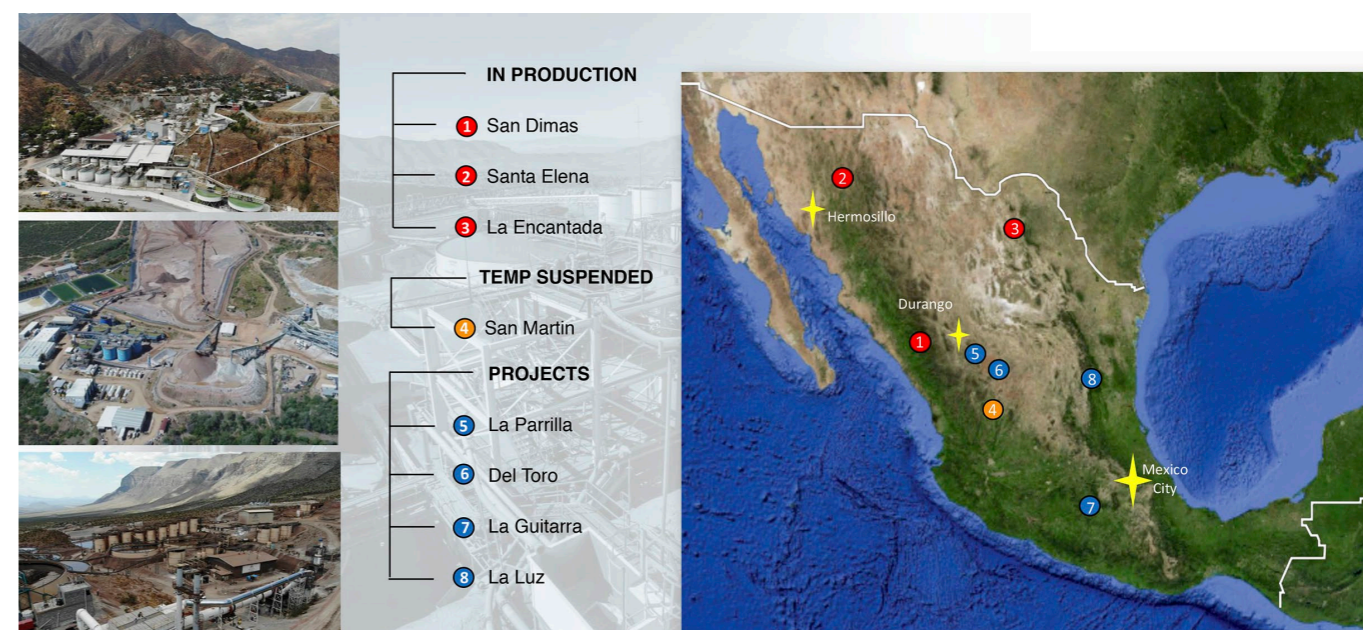
The La Guitarra silver mine has a daily processing capacity of 400 tons and is currently in care and maintenance. The La Guitarra claims cover an area of more than 39,000 hectares. First Majestic Silver is currently working on a scoping study for the possible resumption of operations at the La Guitarra Silver Mine.

### Highly advanced development projects

In addition to the profitable mines, First Majestic has several development projects, one of which is 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.

### Springpole Stream

In June 2020, First Majestic Silver entered into a silver stream agreement with First Mining Gold to purchase 50% of the silver produced from their Springpole Project. The



First Majestic Silver's Mexican locations.  
(Source: First Majestic Silver)

agreement includes ongoing cash payments of 33% of the silver spot price per ounce, up to a maximum of \$7.50 an ounce. In return, First Majestic Silver will pay a total of US\$22.5 million in cash and shares. The project is expected to recover approximately 22 million ounces of silver over the life of the mine, of which First Majestic Silver will receive 50% on the terms outlined above. This deal offers significant upside potential should silver prices rise. Springpole also has significant exploration potential on the 41,913-hectare project.

### Upcoming catalysts

The company is currently working on several developments that should make for positive headlines in the coming months. For example, San Dimas is expected to see increased silver recovery following the installation of a HIG mill in early 2021, and Santa Elena is experiencing a switch from diesel to LNG in early 2021, which will reduce energy costs and carbon footprint. Tayoltita near San Dimas is currently being ramped up, which will lead to an increase in production. In addition, there is continued potential for resource expansion at Santa Elena through the Ermitaño Project, which is also expected to have

a pre-feasibility study in Q1 2021. The Company also hopes to see further improvements in metallurgical recovery through the implementation of microbubbling, pulverization and other technical advances. In addition, an evaluation of modifications to the roasting line at La Encantada is pending, which is expected to yield 1.5 million ounces of silver per year. A scoping study is also underway for the possible resumption of the La Guitarra silver mine.

### Third quarter 2020 was top!

In the third quarter of 2020, First Majestic Silver had record quarterly revenues of \$125.9 million, up 30%, driven by higher metal prices and the sale of \$25.0 million of metal inventory from the previous quarter.

### Mastermind Keith Neumeyer

Behind the rapid development of First Majestic Silver is its CEO Keith Neumeyer. Neumeyer's successes are legendary. He was the founder of First Quantum Minerals. At its peak, First Quantum's stock reached a price of almost US\$ 150, which, with an initial price of US\$ 0.50, represents a huge price





The Santa Elena Silver / Gold Mine is 100% owned by First Majestic Silver Corp. (Source: First Majestic Silver)

### Summary: 2020 lower but more profitable production + Sprott on board

First Majestic Silver had a clear goal of achieving, and ultimately just exceeding, a 25-million-ounce silver equivalent production in 2019. In 2020, production will be slightly lower, mainly due to the effects of the corona virus, but also due to the closure of small unprofitable mines. A positive side-effect is that the company will become much more profitable overall. At present, all mines are working hard on modernization measures that focus not only on increasing production, but above all on reducing operating costs, but also on using environmentally friendly energy generation. In the long term, the Springpole deal may lead to an increasing positive cash flow.

All in all, First Majestic Silver is very well positioned. This was also recognized by investor legend Eric Sprott, who secured 5 million First Majestic shares in September 2020, bringing the company CA\$78 million in fresh capital.

gain. The issue price of the First Majestic Silver share was once CA\$0.16. The high was around CA\$24. Neumeyer's third creation is First Mining Gold, a holding company specializing in natural resource projects, whose business activities consist primarily of acquiring high-value assets, primarily in the Americas. This company was launched about two years ago and has already achieved a profit of almost 200% at its peak.

## 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 First Majestic 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 in July 2019. 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 se-

ries 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. Since commissioned, gold and silver recoveries have significantly improved to new record highs of 94% and 96%, or 5% higher on average.

To date the Company has successfully installed one HIG mill at the Santa Elena, and taken delivery of two more mills, one at the La Encantada mine and one at the San Dimas mine.

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

Major catalysts 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 in mid-2021
- ▶ Converting Santa Elena from diesel to LNG in early 2021 to reduce energy costs and its carbon footprint
- ▶ Ramping production at the Tayoltita mine at San Dimas in 2020 & 2021
- ▶ Continued Resource expansion potential at Santa Elena's Ermitaño project – Pre-Feasibility study expected in Q1 2021
- ▶ Continued improvements in metallurgical recoveries through implementation of microbubbles, fine grinding & other ongoing research and development.
- ▶ Evaluating modifications to the roasting circuit at La Encantada which is expected to add 1.5 million ounces of Ag production per year once completed

- ▶ Developing a scoping study for the potential restart of the La Guitarra Silver Mine

### What can shareholders look forward to in 2021?

In 2021, First Majestic will continue to focus on improving recoveries and lowering costs by investing in projects with high rates of return. In addition, the Santa Elena Liquid Natural Gas ("LNG") project is scheduled for commissioning in the first quarter of 2021. A prefeasibility study on the Ermitaño project will also be released early in the new year, with small-scale production starting at around the same time increasing throughout 2021. The exploration drill rig count is also anticipated to double in 2021, as the number of exploration metres has increased considerably. Finally, the Company continues to focus on creating value through accretive silver acquisitions and divestitures of its non-core assets in Mexico

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

Shares outstanding: 221.1 million  
Options: 7.0 million  
RSUs/PSUs: 0.3 million  
Fully diluted: 228.4 million

Contact:  
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## First Majestic Silver Corp.



# First Mining Gold

## A Canadian Top-Gold-Developer



Dan Wilton, CEO

First Mining is a Canadian gold developer focused on the development and permitting of the Springpole Gold Project in northwestern Ontario. Springpole is one of the largest undeveloped gold projects in Canada, currently hosting a mineral resource base of 4.67 million ounces of gold in the Indicated category and 0.23 million ounces of gold in the Inferred category. A Pre-Feasibility Study is underway, with completion targeted in early 2021, and permitting is on-going with submission of the Environmental Impact Statement targeted for 2021. The Company also holds a large equity position in Treasury Metals who are advancing the Goldlund-Goliath gold projects in Ontario towards construction. First Mining's portfolio of gold projects in eastern Canada also includes the Pickle Crow (being advanced in partnership with Auteco Minerals Ltd.), Cameron, Hope Brook, Duparquet, Duquesne, and Pitt gold projects.

First Mining was established in 2015 by Mr. Keith Neumeyer, founding President and CEO of First Majestic Silver Corp.

### Flagship Project Springpole – location and infrastructure

First Mining Gold acquired the Springpole Gold Project through the acquisition of Gold Canyon Resources in 2015. Springpole is one of Canada's largest undeveloped gold projects. The Project is located in northwestern Ontario, within the Birch-Uchi Greenstone Belt, and covers approximately 41,943 hectares. It is approximately 110 kilometers northeast of the town of Red Lake. The Project area is connected to Highway 105 by winter all weather roads. A power line runs in the immediate vicinity. The Project also houses a 72-man camp.

### Flagship Project Springpole – Resource

Springpole is an above ground project, with a highly homogeneous ore body that allows for gradual, near consistent mining. Springpole hosts at least 139.1 million tonnes of

1.04 grams of gold and 5.4 grams of silver per tonne of rock (g/t) in the indicated category, yielding 4.67 million ounces of gold and 24.19 million ounces of silver. In addition, 11.4 million tonnes of rock averaging 0.63g/t gold and 3.1g/t silver for 230,000 ounces of gold and 1.12 million ounces of silver in the Inferred category. This makes Springpole one of the largest undeveloped gold deposits in Canada.

### Flagship Project Springpole – economic analysis – pre-feasibility study

In October 2019, First Mining Gold released its first Preliminary Economic Assessment (PEA) for Springpole. This was based on a daily processing quantity of 36,000 tonnes of rock and a mine life of 12 years. The PEA was based on a gold price of US\$1,300 per ounce, with a 5% NPV of US\$1.23 billion before tax and US\$841 million after tax. The internal rate of return (IRR) for this case was estimated at 26% before tax and 22% after tax. Average annual gold production in years 2 to 9 would be 410,000 ounces of gold and 2.4 million ounces of silver, with a total of 3.9 million ounces of gold and 22 million ounces of silver being recovered. The all-in-sustaining cost was estimated at US\$611 per ounce of gold, making Springpole one of the lowest producing gold mines in the world. Initial capital costs were estimated at US\$809 million using an owner-managed mining scenario. The payback period would be 3.4 years. Further capital costs over the life of the mine were estimated at \$124 million, plus \$26 million for closure costs.

For a higher gold price of \$1,500 per ounce, Springpole would have a discounted present value of \$1.75 billion before tax or \$1.22 billion after tax, discounted at 5%. The internal rate of return was estimated at 33% before tax and 28% after tax.

First Mining Gold is currently working with Ausenco Engineering on a pre-feasibility study, which is expected to be completed in the first half of 2021.

### Springpole Stream with First Majestic Silver

In June 2020, First Mining Gold entered into a silver stream agreement with First Majestic Silver under which First Majestic Silver will purchase 50% of the silver produced from the Springpole Project. The agreement includes ongoing cash payments of 33% of the silver spot price per ounce, up to a maximum of US\$7.50 per ounce. In return, First Majestic Silver will pay a total of US\$22.5 million in cash and shares. This deal secures First Mining Gold's development financing until approximately 2023 and allows the Company to benefit from a positive performance of First Majestic's shares. This further strengthens the strategic relationship with First Majestic to leverage their significant technical and operational expertise for the benefit of Springpole's development.

### Goldlund Project

In August 2020, First Mining finalised its transaction with Treasury Metals, to combine its Goldlund Gold Project with Treasury Metals' Goliath project in Ontario and create a district-scale, multi-million-ounce gold project positioned for advancement towards construction in a favourable mining jurisdiction. Goldlund is located close to Treasury Metals Goliath Project and hosts approximately 809,000 ounces of gold in the indicated category and nearly 877,000 ounces of gold in the inferred category. First Mining Gold received 70 million Treasury Metals shares (valued at approximately CA\$92 million as of October 30, 2020) plus 35 million warrants. Of these, First Mining Gold intends to distribute 23.3 million shares and 11.7 million warrants directly to its shareholders within one year. In addition, First Mining Gold will retain a 1.5% net smelter royalty (NSR) on Goldlund and will also receive a further CA\$5 million in cash payments over time.

The combination of Goldlund and Goliath, which has approximately 1.192 million ounces of gold in the categories measured and indicated and 222,000 ounces in the category

inferred, makes perfect sense, particularly as both projects are (can be) located only a few kilometers apart and both projects are (can be) synergetic. Treasury Metals is already working on a 25,000-metre drill program and PEA.

First Mining Gold can now fully focus on Springpole and no longer has any development costs for Goldlund, but continues to participate in the positive development of and through Treasury Metals through shares, warrants and NSR and will receive CA\$5 million in cash on top. First Mining Gold shareholders will also receive a portion of the treasury shares directly into their securities account.

### Pickle Crow Project

In January 2020, First Mining Gold entered into a partnership with Auteco Minerals Ltd. where Auteco Minerals may earn up to 80% interest in First Mining's Pickle Crow Gold Project by incurring total exploration expenditures of CA\$10 million over five years, and making cash payments totaling CA\$4.1 million and issuing 125 million treasury shares to First Mining Gold. First Mining will also retain a 2% NSR of which 1% can be repurchased for \$2.5 million.

Pickle Crow is located in northwestern Ontario and is home to one of Canada's highest-grade historic gold mines. The mine was in operation from 1935 to 1966 and reportedly produced nearly 1.5 million ounces of gold at an average grade of 16.14 g/t during this period. The property covers approximately 19,000 hectares and hosts approximately 1.23 million ounces of gold in the Inferred category. First Mining acquired the project in November 2015 through the acquisition of PC Gold Inc.

### Other top projects

First Mining Gold has other top projects for which the Company is seeking development partners. These include the Cameron Project

with a total of nearly one million ounces of gold, the Hope Brook Project in Newfoundland (former mine) with 954,000 ounces of gold, and the three Duparquet, Duquesne and Pitt Projects, which are located close together in Quebec and together host approximately 1.37 million ounces.

### Upcoming catalysts

First Mining Gold should be able to deliver a lot of news in the coming months. These include first and foremost the pre-feasibility study for Springpole, which should deliver even better figures than the previous PEA by focusing on trade-off studies and optimizations to further refine the ultimate scope of the Project. Subsequently, such a PEA is also expected to be released for Goldlund and Goliath, in which First Mining is passively participating through shares and NSR. Fresh drill results should also be received to that effect. Also for Pickle Crow. News of additional deals for the other projects is also expected.

### Mastermind Keith Neumeyer

Behind the rapid development of First Mining Gold is its founder and Chairman 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, First Quantum's stock reached a price of almost US\$150, which, with an initial price of US\$0.50, represents a huge price gain. The issue price of his second company, First Majestic Silver, was once CA\$0.16. The high was approximately CA\$24.

### Summary: Clever Business Model + World Class Project

First Mining Gold follows a smart business model. Originally founded as a so-called mineral bank, the Company bought up potential top projects for little money in the recent gold slump and now monetizes some of these projects for a multiple of the original purchase price. The further development costs are borne by corresponding partners or buyers, whereby larger share packages have been secured, some of which are distributed directly to the company's own shareholders. There are also NSR agreements and cash receivables, which in turn contribute to the development of the company's flagship Springpole project. In addition, the streaming deal with First Majestic Silver not only generated cash and shares, but also takes further risk from Springpole. The next milestone will be the publication of the Pre-feasibility Study in the first quarter of 2021.

shareholders will retain significant exposure to the future upside of this transaction through our equity stake in Treasury Metals, a royalty, and milestone payments that are aligned with the advancement of Goldlund. First Mining also plan to distribute shares and warrants of TML directly to shareholders.

Further, we optioned our Pickle Crow project to Auteco Minerals, an Australian based group with a strong track record of generating value through exploration success. First Mining continues to retain exposure in the project through its equity exposure in Auteco, a royalty interest and a JV in the project.

Lastly, our institutional shareholder base has increased substantially this year and support continues to grow. With over \$45M in cash and marketable securities on the balance sheet, First Mining is in its best financial position since inception!

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

We are excited to be announcing a Pre-Feasibility Study on our Springpole Gold Project in Q1 2021 as we continue to focus on advancing the permitting process. In addition, First Mining holds a number of other high-quality assets in our portfolio. We continue to assess the value of those assets and focus on further identifying and unlocking value through strategic partnerships, transactions, and alternatives.

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

With the US election behind us, the focus will shift back to the economic environment. There is still great uncertainty and volatility in the near-term created by COVID-19. In addition, money supply growth and near zero interest rates along with a gradually weakened US dollar has created a very supportive environment for the gold price.

## Exclusive interview with Dan Wilton, CEO of First Mining Gold

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

It has been a real transformative year for First Mining. On the financing front, our Company was able to secure sufficient capital to fund Springpole's development through to 2023 which includes the completion of a Feasibility Study and

Environmental Assessment process. This was achieved through a US\$23M stream financing in June with our partner First Majestic and a \$29M bought deal in August.

In addition, we created a district-scale, multi-million-ounce gold developer by combining our Goldlund Project with Treasury Metals' adjacent Goliath Project. Importantly, our

**ISIN:** CA3208901064  
**WKN:** A2JBPS  
**FRA:** FMG  
**TSX:** FF

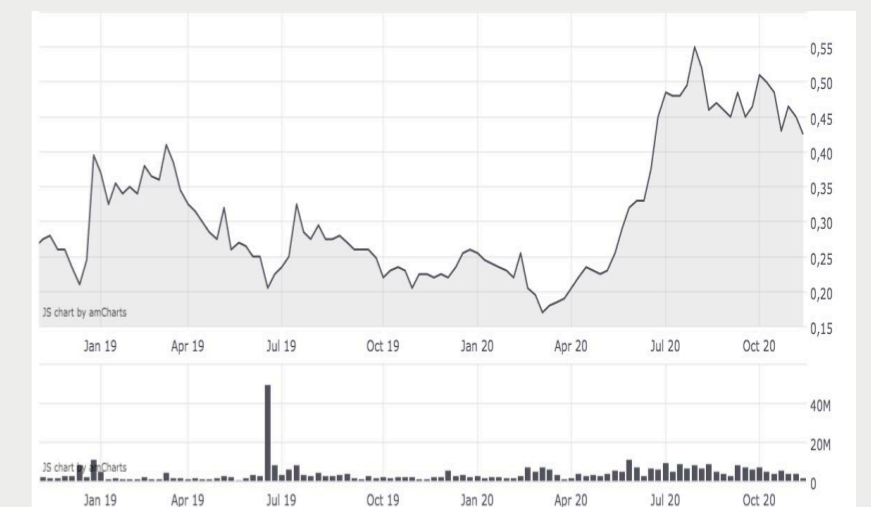
Shares outstanding: 693 million  
Options: 47 million  
Warrants: 93 million  
Fully diluted: 834 million

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## First Mining Gold Corp.



# MAG Silver

## Highly profitable silver production started



George Paspalas, CEO

MAG Silver is a Canadian development company with a clear focus on silver in Mexico. The company recently brought its Juanicipio project into production together with mega-partner Fresnillo. Continual new discoveries only give an indication of the extent of further silver potential. Since this year, commodity legend and star investor Eric Sprott is also on board.

### Juanicipio Silver Project – Shareholding + 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 adjacent to Juanicipio. In addition, within the Fresnillo Silver trend, Juanicipio is virtually surrounded by high-profile mining projects that have produced more than four billion ounces of silver to date, representing more than 10% of total global silver production. Juanicipio is directly integrated into a very well-developed infrastructure due to its proximity to the city of Fresnillo of the same name.

### Juanicipio Silver Project – Resource

The project, which hosts multiple veins, has current resources of approximately 8.17 million tonnes of ore at 550g/t silver for 145 million ounces of silver in the category indicated and 1.98 million tonnes of ore at 648g/t silver for 41 million ounces of silver in the category inferred within the Bonanza Zone alone. 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 category indicated and 1.73 billion pounds of zinc and lead in the category inferred. Juanicipio also contains over 1.5 million ounces of gold, which is homogeneously distributed throughout the minerali-

zed 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 and even intersecting veins that have not been explored at all or only sporadically 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 PEA

The very high grades are also the main reason why Juanicipio will become a low cost mine. According to the most recent preliminary economic assessment (PEA) dated 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\$1450 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 + Production + Purchase Agreements

The Juanicipio Mine will be an underground mine, which is why the partner Fresnillo has installed several ramps measuring 5 by 5

meters to develop the first silver deposits. In total, more than 25 kilometers of ramps and galleries have been driven into the rock. Furthermore, work has begun on the surface, which is expected to be completed in the first half of 2021. The first rock production has already been completed. The processing was carried out in Fresnillo's neighboring plant. In a first step, 42,476 tonnes were processed in the third quarter of 2020, with a total production of 394,000 ounces of silver, 610 ounces of gold, 138 tonnes of lead and 174 tonnes of zinc (MAG attributable to 44% of this). The company's own facility will begin 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. In addition, an Operator Agreement was concluded during the project approval process, which will become effective with the start of commercial production. In addition, the partners have entered into both lead and zinc purchase agreements under which both concentrates will be 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 unprecedented exploration potential, which is why the currently planned 4,000 tons per day processing capacity could well be increased. Looking around the joint venture area, it is easy to see that Fresnillo has identified several additional veins of ore to the east of the area. These run parallel to the Valdecanas and Juanicipio mineralization and are likely to extend into the joint venture area.

### Juanicipio Silver Project – Drill success since last resource estimate

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 gold grades and a shift from silver to higher grades of copper, lead and zinc.

In addition, parallel mineralization called Pre-Anticipada has been shown to occur. This contained up to 3.2 meters 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

Juanicipio Portal  
(Source: MAG Silver)





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 could be announced in the deep zone area. Within a 5.7 metre interval, a sensational 3,884g/t silver, 8.4g/t gold, 6.5% lead and 9.7% zinc were encountered.

In total, only about 5% of the entire project area has been examined for resources!

### Very good financial resources

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 facilities, it was decided in April 2020 to bring raw materials legend and star investor Eric Sprott on board. He bought MAG shares for a total value of CA\$60 million, so that the financing of the mine is now fully secured. In addition, the Company was able to generate an additional \$50 million through the issuance of shares during the summer of 2020.

### Summary: Welcome to the realm of silver producers!

MAG Silver, together with Fresnillo, owns one of the world's highest-grade silver deposits, Juanicipio. It has recently entered into full-scale silver production. The partner Fresnillo already operates a mega-project right next door and can make a valuable contribution to the rapid start-up of the Juanicipio project, both in terms of infrastructure and mining expertise. MAG Silver has eliminated 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 with the possibility of further parallel mineralization trends and expansion opportunities in depth is all the greater. The recent start of production provides the company with a positive cash flow and sufficient capital for the remaining construction work. Commercial production will begin in 2021 and should provide a high margin.

recently announced our acquisition of the Deer Trail project in Utah. This is a project we have been working on for over 4 years and have now consolidated the desired land position to explore the project and built good relationships with the local communities and regulators. This is a very mining friendly area and the geological potential here is very encouraging. We anticipate drilling at Deer Trail in Q4 2020, with our initial targets aimed at proving the existence of favourable host rocks. Once this has been established, we will continue to explore to locate the mineralized systems, then follow the plumbing towards the source, and hopefully significant mineralization. We should stress that our initial drilling at Deer Trail will be focussed on proving up our geological model for the system. We are not anticipating significant mineralization or flashy assays in the initial program. Fingers crossed however – we may hit something!

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

Announcement of the generation of cash within the Juanicipio Joint Venture from the

production of development material from underground. The first production stope will come on-line in very late Q3 or Q4 2021.

Ongoing releases showing the progress of the Juanicipio flotation plant construction, leading up to commissioning of the plant in mid 2021 and commercial production late 2021 or early 2022.

Results from the Deer Trail drilling will be expected early 2021. Remember, we are testing our geological model, and are not expecting significant mineralization in the initial drill campaign.

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

I feel the current situation is very bullish for precious metals. Unfortunately, measures to control COVID have been thwarted by a second wave of infections, significantly affecting world economies. Stimulus packages will continue to be implemented by Governments, again improving the situation of precious metal as the only real store of value in the Global economy.

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

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

We continued to work with our partner Fresnillo plc to construct the Juanicipio flotation plant ready for commissioning mid 2021.

We have brought the underground mine into production in Q3 2020, with pre-production material from underground development being processed at the Fresnillo Plant 2 days per month. This was announced publicly on the 21st October 2020. This is going to enable the Joint Venture to gain a unique insight into the processing characteristics of the Juanicipio mineralized material, which will be a key component to de-risking the start-up

and subsequent ramping up to nameplate production rates for the Juanicipio plant. It is intended to continue the 2 day per month campaign processing till mid 2021. This also realizes cash for the Joint Venture, which will off-set capital requirements as we continue to build the flotation plant.

We continue to explore the Joint Venture property, with our efforts focussed around the Valdecanas vein system, with the intention of gaining a better understanding of the extent of mineralization within the Anticipada and Venadas veins that have been recently discovered.

In addition to the progress of Juanicipio and the start of underground production, we

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

Shares outstanding: 94.3 million  
Options: 1.4 million  
DSUs/PSUs/RSUs: 0.9 million  
Fully diluted: 96.7 million

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## MAG Silver Corp.



# Osisko Gold Royalties

## Dividends and high leverage on the gold price



Sandeep Singh, CEO

Osisko Gold Royalties (OR) is a Canadian royalty company which, since its formation in June 2014, has focused primarily on precious metals royalty and streaming license agreements in North and South America. In just a few years, the company has grown to become the fourth largest royalty company in the world and currently has probably the largest growth potential in this group.

Osisko Gold Royalties holds a portfolio of 135 royalties and streams, of which 17 are already actively contributing to cash flow, while others will enable the Company to grow significantly in the coming years. Osisko Gold Royalties recently generated a cash margin of approximately 90% and pays a quarterly dividend of approximately 1.3% pa, currently the highest among royalty companies.

Osisko Gold Royalties differs from its competitors to date in that it not only finances selected junior mining companies with royalties, but also supports them 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 significantly increased, giving Osisko an additional lever to increase its own company value.

Osisko Gold Royalties currently holds several interests in mines under development under its accelerator model. These include 15% in Osisko Mining (huge windfall project in Quebec at 5.3 million oz at 8.6 g/t), 18% in Falco Resources (Horne 5 project at 8.7 million oz gold equivalent), 19% in Minera Alamos (3 smaller projects in Mexico with production commencing Q1/2021), 7% in Talisker Resources (former Bralorne Mine in British Columbia), and 19% in Osisko Metals (zinc in Northwest Territories and New Brunswick).

Osisko's most significant interest in Barkerville Gold Mines in British Columbia, at approximately 32%, was so attractive to Osisko in the fall of 2019 that it acquired Barkerville

completely based on the huge upside of its Cariboo project. From the outset, the objective was to further increase the value of the project and then arrange for the mine to be financed by an external third party. The market reacted to this acquisition with reservations and a discount on the share price of over 25%, as some fund managers felt that the royalty company, which was classified as a financial company, now contained too much mine risk.

In early October 2020, Osisko responded to this commitment to further external financing for Barkerville and to the reservations of too much mining risk. Osisko has announced that the Barkerville Cariboo Project and most of its other mining interests in the Accelerator Model will be spun out into a new company called **Osisko Development Corp. (ODV)**, which will raise CA\$ 100 million in the market. The investments transferred contain a portfolio of 25 positions valued at CA\$116 million including Minera Alamos and Falco Resources but excluding Osisko Mining and Osisko Metals, which will remain with OR.

The former San Antonio copper-gold project in Sonora/Mexico, which was just acquired for US\$ 42 million out of receivership, is also being contributed. It is expected to produce over 50,000 oz/a again as early as 2021. Together with the production of the Barkerville project Bonanza Ledge II from Q1/2021 with approx. 60,000 oz/a, ODV will become a medium-sized gold producer in the short term.

The main asset of ODV will be the Cariboo Gold Project. It covers over 2,000 square kilometers with over 80 km in length, of which only about 12 km have been explored to date. At least 5.9 million oz gold have been discovered in Cariboo to date. So far only drill holes to a depth of 350 metres have been included in the resource estimate. A preliminary economic assessment (PEA) determined a discounted net present value of CA\$ 671 million and a return on investment (IRR) of 41% - both after tax - for a gold price of US\$1,600.

ODV's valuation is CA\$ 850 million after the capital increase and should increase significantly after production starts in 2021. Osisko Gold Royalties will initially hold approximately 88% of Osisko Development. OR will also retain several royalties, including a 5% royalty on Cariboo and a 15% stream on San Antonio.

### **The 4 most important, out of a total of 17 top-class, cash flow generating sources of income**

#### **Canadian Malartic**

Osisko Gold Royalties was founded by its Executive Chairman Sean Roosen, among others, who led the currently largest Canadian gold mine Canadian Malartic from exploration to production and ultimately to its acquisition by Agnico Eagle and Yamana Gold. This acquisition also resulted in a 5% royalty on Canadian Malartic. The Canadian Malartic open pit mine has significantly increased its production in recent years. In 2019, 669,000 oz of gold was produced, of which Osisko received 33,500 oz as royalty. The open pit mine will be exhausted in approximately 4 years. It is sensational, however, that in recent years over 10 million oz have been detected to the east and below the open pit, so that the mine can continue to operate underground for several decades and further deliver 3-5% royalties to OR. The Malartic Mine will remain a cornerstone of Osisko's royalties 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 has acquired a 5% royalty for CA\$ 98

million. The Eagle Mine is in the final stages of ramp-up and is expected to produce 220,000 ounces of gold per year at full capacity from 2021. The 5% royalty at 11,000 ounces per year is the next major revenue stream for Osisko.



Éléonore gold mine

(Source Osisko Gold Royalties)

#### **Éléonore**

The Éléonore gold mine is operated by Newmont Goldcorp and produced 246,000 ounces of gold in 2019. 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 Blancos**

Mantos Blancos 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 stream is converted to a 40% stream. Osisko pays 8% of the daily spot price for the silver. In 2019, approximately 600,000 ounces of silver were mined.

### Top projects in advanced development status

A further 13 precious metal royalty and streaming license agreements relate to top projects that are at an advanced stage of development or even construction.

### 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. Over the next 5 years it is expected to increase to 140,000 GEOs without Osisko having to make any further payments.

The cash margin for 2019 was an incredible 91%. The company pays a quarterly dividend of CA\$ 0.05 per share and had just over CA\$ 200 million in cash or cash equivalents at the end of June 2020.

With a total of approximately CA\$ 520 million in liquidity (cash and investments), and an unused credit line of CA\$ 411 million, Osisko is well positioned to take advantage of the opportunities for new royalties in the coming months. And unlike many manufacturing companies, the dividend in such a royalty company is unlikely to be at risk.

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

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

Our biggest accomplishment this year is the spinout transaction simplifying Osisko Gold Royalties as a pure royalty company and, in the process, creating an exciting new gold developer in Osisko Development Corp ("ODV"). ODV will begin trading in early December. It will focus on its flagship Cariboo camp in British Columbia, Canada, which

### 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 prime jurisdictions in just a few years. 86% of the value of all streams or royalties comes from North America. The Company has a relatively low risk as many of the mines produce at very low cost and therefore fluctuations in precious metal prices can result in margin erosion but not losses. In addition, with the spin-off of Osisko Development, the Company no longer bears any development or production costs. The growth potential is huge in the event of stable or rising precious metals prices, as several new mines will come on stream in the coming years, with Osisko Gold holding stream or royalty claims. The share offers a correspondingly high leverage on the gold and silver price.

Osisko pays a dividend of approximately 1.3% at the current share price and is significantly undervalued compared to other royalty companies. In particular, after the spin-out of ODV a re-rating to a pure finance company should occur again.

hosts approximately 6 million ounces of gold, as well as on the San Antonio high-grade, heap leach project in Sonora, Mexico. Both assets have tremendous upside and set up ODV to become a significant North American intermediate gold producer. The technical team that built Canadian Malartic, led by Sean Roosen as CEO, will unlock the full potential of these assets and Osisko Gold Royalties will benefit as the largest shareholder. The transaction allows Osisko Gold Royalties

to streamline our business model and will contribute over 20,000 of gold equivalent ounces when both key assets are in production (via a 5% royalty on Cariboo and a 15% stream on San Antonio).

Also, during the past year, we added high quality royalty assets to our portfolio. This growth included increasing our royalty exposure to the Island Gold and Lamaque gold mines in Canada, increasing our royalty on the high-grade, 5 million ounce Windfall gold project, and entering into a partnership with Regulus Resources to acquire existing royalties on their AntaKori copper-gold project in Peru.

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

Osisko Gold Royalties has a peer leading organic growth profile, which will be in focus over the next year. Part of that growth involves an extremely significant discovery at our flagship Canadian Malartic asset. The operators (Agnico-Eagle and Yamana) of the Canadian Malartic mine have discovered a 10-million-ounce resource underneath the most

efficient mill in Canada. Significant advancements are being made towards a potential construction decision. Osisko Gold Royalties will benefit through our 3-5% royalties on the underground gold ounces.

In addition, we expect the Eagle gold mine (5% NSR) to continue to ramp up to nameplate production in 2021. The Mantos Blancos mine in Chile will undergo an expansion that will grow its silver stream contribution to Osisko. Other assets are undergoing meaningful mine life extensions and expansions. Our large development royalty portfolio is naturally starting to transition into producing ounces during one of the best periods for gold.

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

We are extremely positive on the outlook for gold. With high debt levels, unprecedented global stimulus and the prospects for a slow global recovery, we feel that gold and silver will continue to outperform and provide a safe haven for investors.

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

Shares outstanding: 165.3 million  
 Options: 4.6 million  
 Warrants: 5.5 million  
 Fully diluted: 175.4 million

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## Osisko Gold Royalties Ltd.



# Sibanye-Stillwater

## The best-positioned gold and platinum group producer on the planet pays dividends again and opens up new markets



Neal Froneman, CEO

Sibanye-Stillwater is a South African gold and platinum group producer with mines in South Africa and the USA. The company was established in 2012 and has since become South Africa's largest gold producer and one of the top three platinum group (PGM) producers in the world. In addition to pure gold and PGM production, the company also operates a PGM recycling facility and owns a majority interest in a company that extracts metals from surface residues. Following a record EBITDA in the last quarter, the dividend is now to be reintroduced and rapidly increased. The company also plans to enter the battery metal sector.

### Rapid rise through aggressive acquisition strategy

Sibanye-Stillwater was initially formed in February 2013 as Sibanye Gold Limited after Gold Fields Limited outsourced its South African subsidiary that owned the Kloof, Driefontein and Beatrix gold mines. Upon completion of this transaction, the common shares and U.S. Depository Receipts were listed on the JSE and NYSE respectively. In the years that followed, Sibanye pursued an aggressive strategy of organic and acquisitive growth, including the acquisition of Gold One International's Cooke operations in 2013 and Wits Gold's Burnstone Project in 2014 to create a more sustainable gold business.

### First major acquisitions: Aquarius and Rustenburg

In 2016, Sibanye Gold acquired Aquarius Platinum Limited for the equivalent of US\$269 million, securing 50% of the Kroondal mine and Platinum Mile recovery plant, both in the Rustenburg area of South Africa. It also entered into a joint venture for Mimosa with Impala Platinum in Zimbabwe. Later that year, the Rustenburg mine was acquired from Anglo American Platinum Limited for the equivalent of US\$331 million.

Rustenburg has both surface and underground production and in 2019 produced a total of 697,639 ounces of 4E PGM (equivalent to platinum, palladium, rhodium + gold) at all-in-sustaining costs of just under US\$1,000 per ounce. As of December 31, 2019, Rustenburg (including tailings) had 17.07 million ounces of 4E PGM and 19.90 million ounces of 6E PGM (equivalent to platinum, palladium, rhodium, ruthenium, osmium + gold) in mineral reserves and 82.94 million ounces of 4E PGM and 95.77 million ounces of 6E PGM in mineral resources. Mine life will extend beyond 2050.

Kroondal is an underground mine, is 50% owned by Sibanye-Stillwater and in 2019 produced a total of 265,008 ounces (Sibanye's interest) of 4E PGM at an all-in-sustaining cost of US\$745 per ounce. On a 50% attributable basis, Kroondal had 1.20 million ounces of 4E PGM and 1.47 million ounces of 6E PGM in mineral reserves and 4.35 million ounces of 4E PGM and 5.30 million ounces of 6E PGM in mineral resources as of December 31, 2019. The mine life will extend to approximately 2030.

Platinum Mile is a processing plant for tailings, located on the Rustenburg lease area near Kroondal. The plant recovers PGMs from Rustenburg. Sibanye-Stillwater holds a 91% interest in the plant. In 2019 Platinum Mile won 11,006 ounces of 4E PGMs at an all-in-sustaining cost of US\$761 per ounce.

Mimosa is an underground mine, 50% owned by Sibanye-Stillwater and produced a total of 117,553 ounces (Sibanye's interest) of 4E PGM in 2019 at an all-in-sustaining cost of US\$834 per ounce. On a 50% attributable basis, Mimosa had 1.69 million ounces of 4E PGM and 1.80 million ounces of 6E PGM in mineral reserves and 6.41 million ounces of 4E PGM and 6.804 million ounces of 6E PGM in mineral resources as of December 31, 2019. At Mimosa, the current focus is on the development of the Mtshingwe Shaft and further evaluation of the Mtshingwe Block, which is expected to extend the mine life beyond 2032.

### Diversification into North America: Stillwater Mine + Recycling

Also in 2016, Sibanye made a formal offer of US\$2.2 billion to acquire Stillwater Mining Company in the United States. The Stillwater transaction, which was the largest PGM transaction in the world for more than a decade, was completed in May 2017. Sibanye Gold changed its name to Sibanye-Stillwater and began also trading as Sibanye-Stillwater.

The Stillwater Mining Complex consists of the Stillwater and East Boulder mines, which have both surface and underground production, producing a total of 593,974 ounces of 2E PGM (equivalent to platinum and palladium) in 2019 at an all-in-sustaining cost of US\$784 per ounce. As of December 31, 2019, the U.S. PGM operations have 26.9 million ounces of proven and probable 2E PGM mineral reserves and 81.1 million ounces of 2E PGM mineral resources. Stillwater has a current mine life to 2046, East Boulder to 2054, and future focus will be on the adjacent Blitz project.

Sibanye-Stillwater also owns and operates a smelter and base metal refinery in Columbus, between the Stillwater Mine and the City of Billings, Montana. The Columbus Metallurgical Complex is one of the world's largest producers of platinum metals from recycled automotive catalysts. It produces a 2E PGM-rich filter cake that is further refined by a precious metals refinery to palladium and platinum metal. In 2019, the Columbus Metallurgical Complex processed a total of 853,130 ounces of 3E PGM from recycled catalysts.

### Acquisition of Lonmin/Marikana

In June 2019, the Company acquired the entire share capital of Lonmin Plc. Lonmin's assets included the Marikana PGM mining and related processing operation, smelter, base metal refinery and precious metals refinery in South Africa. The completion of this acquisition in 2019 marked the culmination of the

company's own „Mine to Market“ strategy for PGM in South Africa and catapulted Sibanye-Stillwater into the ranks of the world's largest PGM producers.

Marikana has both surface and underground production and in 2019 produced a total of 507,598 ounces of 4E PGM at an all-in-sustaining cost of US\$1,226 per ounce. As of December 31, 2019, Marikana (including tailings) had 9.16 million ounces of 4E PGM mineral reserves and 124.32 million ounces of 4E PGM mineral resources. Mining operations currently run until 2034.

### Streaming financing with Wheaton International

The company's aggressive acquisition strategy led to the fact that Sibanye-Stillwater had built up a large mountain of debt, partly due to the assumption of partly high debt burdens. The company decided on a necessary debt structuring and initially suspended the relatively high dividend of partly 5%. In addition, a streaming agreement was concluded with Wheaton International, which injected US\$500 million in fresh capital into the company's treasury, strengthened the balance sheet and at the same time reduced net debt to a reasonable level.

### Majority interest in DRDGOLD

In 2018, Sibanye entered into an agreement with DRDGOLD to establish an industry-leading partnership for open pit tailings processing. DRDGOLD Limited is a South African gold producer and specialist in the recovery of metal from surface tailings reclamation. The company is listed on the New York and Johannesburg stock exchanges. After initially securing 38.5% of the shares in DRDGOLD, the company was able to increase this to 50.1% in 2020, bringing DRDGOLD under de facto control.



### SFA Oxford: Preparing for the electric mobility and storage boom

In early 2019, Sibanye-Stillwater acquired SFA Oxford, a leading metals market analysis consultancy and world-renowned authority on platinum group metals, to provide detailed market information on battery materials and precious metals for industrial, automotive and smart city technologies. The company thus set the course early on for a future supplier of battery metals in order to participate in the ever-growing market for electromobility and storage.

**Summary: EBITDA drastically increased, debt ratio drastically reduced ► off into the future!**

Sibanye-Stillwater has undergone an amazing development since its foundation in

2012. From a relatively manageable Gold Fields spin-off, through a nearly over-indebted gold player, to a leading gold and PGM producer with record EBITDA and a debt ratio of only 0.55x, which is close to what it was before the aggressive acquisition strategy. The difference from then is that in just 5 years, the company has built a true precious metals empire that has not only grown to become one of the largest precious metals producers, but is also large in PGM recycling and tailings processing. This management has really done everything right and can now finally make the deserved profit for the patient shareholders. Sibanye-Stillwater is currently considered the best positioned precious metal major in the world and now wants to gain a foothold in the upcoming boom sector of battery metals. It would not surprise us if this were to happen. The company recently announced the continuation of an attractive dividend.

payer in the sector, with a dividend yield of approximately 5%. This is what we aim to achieve again in the future.

**What are the key business catalysts for the next 6 to 12 months?**

In addition to dividends and paying down gross debt further, we are reviewing organic projects, which we have gained primarily through the Lonmin acquisition and at current prices are likely to deliver significant returns. We are also interested in possible M&A growth in the battery or tech metal sectors. To this end, we acquired a research company in 2019, SFA Oxford, that not only knows its way around PGMs, but also knows the battery metal sector and has been doing detailed fundamental analysis of the outlook for some of the more attractive metals. This should result in a potential benefit in the near future. We also have strong gold production in South Africa, but we want to diversify into North America if we are able to identify a value accretive opportunity.

An important catalyst will be the consistent generation of cash flow, which will generate a lot of confidence and hopefully also a re-rating over the coming quarters. To this end, we are likely to pay a significantly higher dividend at

the end of the year to bring the full year dividend in line with our policy.

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

With all the economic and financial uncertainty around the world, we see good and ongoing support for precious metals. The European nations are going into a second lockdown, in the USA there are political uncertainties, so we are very optimistic for gold. For PGMs, this year was different than in other years, where production continued even with weaker demand. Due to Covid-19, especially in the PGMs, the lockdown in South Africa resulted in the removal of over 70% of global PGM supply for some time and it has only recently very slowly recovered. This almost completely compensated for the decline in demand. PGM prices therefore saw a resurgence since March, which was mainly supported by the rapid recovery of demand in China. This is expected to continue in 2021. In the case of platinum in particular, we expect a recovery over the next three years, mainly due to a decline in supply in South Africa, but also to the fact that in future the expensive palladium will be replaced by the cheaper platinum in special catalysts.



James Wellsted,  
Senior Vice President-Investor Relations

## Exclusive interview with James Wellsted, Senior Vice President-Investor Relations of Sibanye-Stillwater

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

The past 6 to 12 months have been very challenging for most companies around the globe, especially because of the Covid-19 pandemic. We had to structure the Lonmin assets, which we acquired in June 2019 into our company and we also had to manage a restructuring of the operations before the end of 2019, but we started the current year very well. This growth and the significant increase in precious metal prices during 2019 put us in a strong position in the beginning of 2020 which reflected positively in our financial performance with EBITDA increasing and debt reducing during the first quarter. Then came Covid-19 and we had to close our operations from the end of March to the beginning of May. Relaxation of the COVID-19 restrictions by the South African Government meant that we managed to bring

production back to around 50% before June and since the beginning of June, we have been able to return to 100%. So, although the second quarter was a major setback, and we are now back to 100% production despite continuing with Covid-19 protocols and safety measures for our personnel. Of course, the rapid rebound in precious metals prices, especially rhodium and palladium, but also gold, since April has been very supportive. As a result, we were also able to report record EBITDA in the third quarter of 2020, which was higher than the total EBITDA reported by the Group in 2019, and thus succeeded in drastically reducing our debt ratio, which had been a result of the Stillwater acquisition in 2017. This allowed us to reintroduce dividends with a positive precious metals price outlook suggesting significant dividend payments to our shareholders again. Before the start of our acquisition strategy, we were a leading dividend

**ISINE:** ZAE000259701  
**WKN:** A2PWWQ  
**FRA:** 47V  
**JSE:** SSW  
**NYSE:** SBSW

Shares outstanding: 2,925.0 million  
Incentives: 61.7 million  
Fully diluted: 2,986.7 million

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## Sibanye-Stillwater



# Skeena Resources' Eskay Creek Project

## High-grade, Open-Pit Asset in a Stable Geopolitical Jurisdiction



Walter Coles Jr., CEO

Skeena Resources is a Canadian mining exploration company focused on developing prospective precious metal properties in the Golden Triangle of northwest British Columbia, Canada. The company's primary activities are the exploration and development of the past-producing Eskay Creek project which contains an open-pit resource of 2.6 million ounces at 5.9 g/t AuEq in the Indicated category and 1.4 million ounces at 3.0 g/t AuEq in the Inferred category. The Company recently completed a Preliminary Economic Assessment (PEA) on Eskay Creek which highlights an after-tax NPV5% of C\$638M, 51% IRR and a 1.2-year payback at US\$1,325/oz Au. Skeena is also exploring the past-producing Snip gold mine.

### History of British Columbia's Golden Triangle

British Columbia's Golden Triangle has long been known for its exceptional gold deposits. In 1861, a gold discovery at the confluence of the Stikine and Anuk rivers led to the first gold rush, which attracted over 800 pro-

spectors to the region. A few years later followed the Cassiar Gold Rush, which 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 a few of the most notable projects in the Golden Triangle started operations. These projects include the Premier, Snip and Eskay Creek mines. Premier Gold Mining Company, the first operator of Premier Mine, returned 200% between 1921 and 1923. The Snip Gold Mine produced approximately 1.1 million ounces of gold between 1991 and 1999 at an average grade of 27.5 g/t gold. The Eskay Creek mine produced 3.3 million ounces of gold at a staggering 45 g/t and 160 million ounces of silver at 2,224 g/t from 1994 to 2008. Eskay was one of the highest-grade gold mines in the world when it was in production.

Today, there are several large development stage projects and producing mines in the Golden Triangle. Projects that have been permitted within the last decade include KSM, Brucejack, Red Chris and Galore Creek.

### Flagship Project Eskay Creek – Location and Infrastructure

The reason why the Golden Triangle is still considered to be relatively underexplored is because, until recently, the area lacked significant infrastructure. Since both Eskay Creek and Snip were in production, there has been over \$2 billion dollars of investment into infrastructure in the Golden Triangle. Improvements in infrastructure include the opening of a year-round ocean port facility in Stewart, Highway 37 paved north from Smithers, installation of a 287 kV power line and three hydro-electric facilities that are within 17 kilometres of both Snip and Eskay Creek.

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

Skeena Resources secured 100% interest in Eskay Creek in October 2020. This required the transfer of 22.5 million shares plus 11.25 million warrants and a 1% net smelter royalty to the previous owner, Barrick Gold. Barrick is currently one of Skeena's largest shareholder and holds 12.4% of the company (approximately 17% if warrants are exercised).

### Flagship Project Eskay Creek – NI 43-101 Resource

Skeena is currently focused on the exploration and development of Eskay Creek. In November 2019, the company released an open-pit resource of 2.6 million ounces at 5.9 g/t gold equivalent in the Indicated category and 1.4 million ounces at 3.0 g/t gold equivalent in the Inferred category. Skeena plans to release an updated resource in Q1 2021 when the infill drilling at Eskay Creek is complete.

### Flagship Project Eskay Creek – Infill and Exploration Drilling Success

Initial drilling in 2018 returned incredibly high-grade mineralization. The first three holes Skeena drilled at Eskay Creek include highlights of 18.10 g/t gold equivalent over 34.00 metres, 22.27 g/t gold equivalent over 34.85 metres and 43.39 g/t gold equivalent over 27.70 metres. The company continued to drill high-grade intervals in 2019, highlights include 5.71g/t gold equivalent over 92.15 metres and 314.07g/t gold equivalent over 2.21 metres.

In 2020, Skeena began drilling the company's first exploration holes to date on the property. The exploration drilling that has been completed so far displays significant

upside potential on the property. Most recently, two new zones have been discovered. The new zones are known as the Eskay Deeps and Water Tower Zone. Highlights include 5.88 g/t gold equivalent over 17.00 metres and 12.96 g/t gold equivalent over 14.50 metres, respectively.

### Flagship Project Eskay Creek – Positive Preliminary Economic Assessment (PEA)

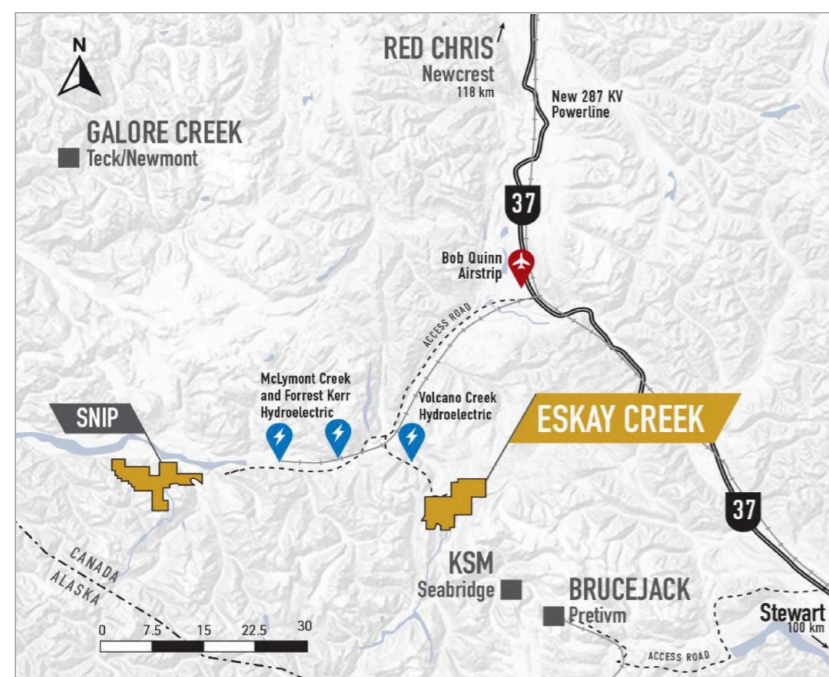
In November 2019, Skeena released a robust PEA on Eskay Creek. The PEA considers an open-pit mine with on-site treatment of the mined material by conventional milling and flotation to recover a gold-silver concentrate. The daily processing capacity is 6,850 tonnes which will result in a lifespan of 8.6 years and an annual average production of 306,000 gold equivalent ounces. The initial capital cost is estimated at US\$233 million and the all-in-sustaining cost is US\$615 per ounce Au. This places Eskay Creek in the top 10% of the world's average gold grades for open-pit mines. Based on a gold price of US\$1,325 per ounce and a silver price of US\$16 per ounce, the PEA showed an after-tax NPV of C\$638 million, after-tax IRR of 51% and an after-tax payback period of 1.2-years. At US\$1,700 per ounce gold and US\$20 per ounce silver, the NPV would be US\$1.2 billion, 77% IRR and a 0.8-year payback

### Skeena's Plans for 2020 and Upcoming Catalysts

Skeena is currently in the middle of a 90,000-metre infill and exploration drill program at Eskay Creek while simultaneously advancing the asset towards the completion of a Prefeasibility study (Q2 2021).

In the next 12 months Skeena plans to continue to release exploration and infill drilling results, release an updated resource (Q1

Location of Skeena's projects Eskay Creek and Snip in British Columbia. (Source: Skeena Resources)



2021), complete a Prefeasibility study (Q2 2021), declare Eskay Creek reserves (Q2 2021), complete a full Feasibility study (Q4 2021) and begin project financing (Q4 2021) at Eskay Creek. In addition to the work Skeena is doing at Eskay, the company is also doing a 5,000-metre exploration drill program at Snip (results expected Q4 2020).

### Snip Gold Project - Second Card Up Skeena's Sleeve

Skeena owns 100% of the Snip Gold Project. Snip is located approximately 50 kilometers west of Eskay Creek and covers approximately 4,546 hectares of land. Snip produced 1.1 million ounces of gold from 1991-1999 at an average grade of 27.5 g/t Au.

Skeena has done a significant amount of exploration drilling at Snip with the most recent success in the 200 Footwall Zone. In 2019,

the company intersected 1,131 g/t gold over 1.50 metres including 3,390.00g/t gold over 0.5 metres. Skeena released a maiden resource estimate on Snip in July 2020 which highlighted 244,000 ounces of gold at 14 g/t in the Indicated category and 402,000 ounces of gold at 13.3 g/t in the Inferred category.

### Summary: Eskay Creek is a World Class Asset!

Skeena Resources owns one of the most exciting gold-silver projects in Canada, if not the world, Eskay Creek. A 4 million ounce, open-pit resource averaging 4.4 g/t gold equivalent in a stable geopolitical jurisdiction. The company is aggressively advancing the asset towards Prefeasibility, which is expected to be released in Q2 2021. With the ongoing 90,000 metre drill program there will be continuous news flow as Skeena pushes Eskay Creek towards production.

2. The Prefeasibility study for Eskay Creek is expected in Q2 2021.
3. The full Feasibility study for Eskay Creek is anticipated in Q4 2021.
4. Skeena will pursue project financing in Q4 2021, following the release of the Feasibility study.
5. Exploration programs at Snip and Eskay will continue throughout 2021 as we look to grow the size and grade at both projects.

### 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 Coronavirus hit. Now they are exploding higher. In response to the pandemic we have multi-trillion-dollar government spending programs, which will cause government debt to rise unsustainably. 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.

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

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

The most significant milestone in the company's history occurred in October 2020 when Skeena exercised its option on Eskay Creek to purchase 100% ownership of the project from Barrick. The original option agreement with Barrick was simultaneously amended so that Barrick gave up its 51% back in right on the project in return for a 12% equity stake in Skeena, plus warrants to increase that stake up to 17%. Skeena is now in full control of the Eskay Creek project going forward.

The company published a Preliminary Economic Assessment (PEA) on Eskay Creek in November of 2019, which highlighted an after-tax NPV5% of C\$638M, 51% IRR and a 1.2-year payback at US \$1,325 gold price.

At US \$1,900 gold the after-tax IRR increases to 89% and the payback on initial capex is less than one year.

Skeena has one of the largest exploration programs underway in Canada with 12 drill rigs turning. The on-going 90,000 metre drill program is a combination of infill and exploration with a target completion date of December 2020.

### 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. Skeena will publish a new NI 43-101 Resource Estimate for Eskay Creek in Q1 2021.

**ISIN:** CA83056P8064  
**WKN:** A2H52X  
**FRA:** RXFB  
**TSX-V:** SKE

Ausstehende Aktien: 194,6 Millionen  
 Optionen: 15,9 Millionen  
 Optionsscheine: 11,2 Millionen  
 Vollständig verwässert: 221,9 Millionen

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## Skeena Resources Limited



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