



To: MJG Capital Limited Partners

From: Matt Geiger

Date: February 10, 2017

Subject: 2016 Second Half Review

Below is set forth MJG Capital Fund, LP's performance through Dec. 31, 2016.

6 Month Performance:

MJG Capital Fund, LP (net of all fees and expenses)	16.10 %
S&P 500	6.68 %
S&P/TSX Venture Composite Index	4.38 %

1 Year Performance:

MJG Capital Fund, LP (net of all fees and expenses)	94.51 %
S&P 500	9.54 %
S&P/TSX Venture Composite Index	45.03 %

3 Year Performance:

MJG Capital Fund, LP (net of all fees and expenses)	0.19 %
S&P 500	21.15 %
S&P/TSX Venture Composite Index	(18.17) %

Performance Since Inception (9/1/11):

MJG Capital Fund, LP (net of all fees and expenses)	(67.21) %
S&P 500	83.68 %
S&P/TSX Venture Composite Index	(57.90) %

Note: All returns for MJG Capital partners are estimated and subject to the completion of an audit at a future date. The returns for each limited partner may vary depending upon the timing of their individual contributions and withdrawals.

Introduction & Partnership Update

This is MJG Capital Fund, LP's eleventh semi-annual letter. The Partnership was formed sixty-four months ago and the results are detailed on the previous page. The S&P 500 represents "the alternative investment of choice", while the TSX Venture (also known as the "TSXV") is the closest proxy to the universe of resource equities that the Partnership selects from.

The past six months didn't live up to the excitement of the first half of 2016, but it remains clear that the hard asset bull market is very much intact. While precious metals and associated equities have corrected since mid-August, base metals and most recently uranium have more than picked up the slack.

We are now roughly 13 months into this bull market. Whether this uptrend lasts for three years or six years is anybody's guess, but I will say with some confidence that the whole of 2017 and the whole 2018 will be a truly golden period for both the Partnership and likeminded investors.

Focusing specifically on the Partnership, there are a few points of encouragement as this bull market progresses:

1. We saw the Partnership's value increase by 16.10% in the second half of 2016 - outpacing the more modest 4.38% gain seen by the TSXV.
2. Since the start of the bull market in January 2016, we've more than doubled the performance of the TSXV - with a 94.51% return over the past 12 months.
3. Both the Partnership and the TSXV have significantly outperformed the S&P 500 over the past year.

Our relative outperformance of the TSXV shouldn't be surprising; the index is comprised of over 2000 companies - many of which are of dubious quality. In the spirit of Pareto's Law, we maintain a portfolio of 15-25 of the very best stories. A laser focus on quality is essential if you want to succeed in this space.

The dramatic outperformance when compared to the S&P 500 is a bigger deal. Prior to 2016, the S&P had outperformed the TSXV for five consecutive years. The dramatic shift we've seen over the past 12 months is a welcome change and is likely to continue through at least 2018.

In this letter's *Market Musings*, I first provide a reminder of why all investors should hold natural resource equities in their portfolio. I then comment on uranium - the ultimate contrarian investment for those with a stomach for volatility and the patience to sit tight for 2-3 years. Finally, I list four relatively obscure metals that have the most to gain from the anticipated saber rattling between Trump and China.

In the *Overview of Partnership Holdings*, I provide information on how the Partnership is allocating our capital by (1) commodity, (2) jurisdiction, and (3) operational phase. At current, we have twenty-two different positions.

I conclude by presenting our *Featured Investment* (Viscount Mining) as well as updates on companies featured in past investor letters (Golden Arrow, Excelsior Mining, TFS Corporation, Nevsun Resources, and Lithium Americas).

Market Musings

Why Every Investor Should Own Natural Resource Equities

Aside from the exuberance surrounding the tops of bull markets, the general investment public is uninterested and underinvested in natural resource equities. There are quite a few reasons for this avoidance:

1. The volatility of commodity prices scares many potential participants from the space.
2. Due to urbanization, environmental regulations, and a host of other factors, investors from the western world in particular are more separated from natural resource extraction than ever before. A shrinking percentage of the world is directly involved with the mining industry.
3. The natural resource industry is unsexy and old-fashioned. Many investors would rather bet on the next big social media or biotech story. Very few understand the importance of metals and minerals to our continued technological advancement.
4. The long-term outperformance of energy/mining equities over the broader market is not very well known. Many would be surprised to learn that energy/mining equities have outperformed the S&P 500 by roughly 2% annually since the 1920's.

We view the general apathy towards natural resources as an opportunity. Legendary value investor Jeremy Grantham does as well. For those unfamiliar with Mr. Grantham, he is a British investor and founder of GMO – a Boston-based asset management firm with roughly US\$120 billion in assets.

In the second half of 2016, Grantham and colleague Lucas White authored a research report entitled “An Investment Only a Mother Could Love: The Case for Natural Resource Equities”. I’ve included an excerpt below. The full report can be accessed at www.gmo.com.

We believe the prices of many commodities will rise in the decades to come due to growing demand and the finite supply of cheap resources.

Public equities are a great way to invest in commodities and allow investors to:

- *Gain commodity exposure in a cheap, liquid manner*
- *Harvest the equity risk premium*
- *Avoid negative yields associated with rolling some futures contracts*

Resource equities provide diversification relative to the broad equity market, and the diversification benefits increase over longer time horizons.

Resource equities have not only protected against inflation historically, but have actually significantly increased purchasing power in most inflationary periods.

Due to the uncertainty surrounding, and the volatility of, commodity prices, many investors avoid resource equities. Hence, commodity producers tend to trade at a discount, and they have outperformed the broad market historically.

Exhibit 10: Despite Recent Pain, Resource Equities Have Outperformed since the 1920s



As of 6/30/16

Source: CRSP, Global Financial Data, GMO

While resource equities are volatile and exhibit significant drawdowns in the short term, over longer periods of time, resource equities have actually been remarkably safe investments.

Despite all of this, investors generally don't have much exposure to resource equities. Typically, they don't have large specific allocations to resource equities, and the broad market indices don't provide much exposure to the commodity producers. The S&P 500's exposure to energy and metals companies has dropped by more than 50% over the last few years, and the same is true of the MSCI All Country World Index. Those

investing with a value bias may be particularly underexposed to resource equities, as value managers tend to be especially averse to the risks posed by commodity investing.

So what does this mean for the portfolio of your average investor? There are two points that I'd like to emphasize:

1. For proper diversification, a minimum of 10% of one's overall portfolio should be exposed to natural resource equities. This includes mining, farming, forestry, and water-related investments.
2. Natural resource extraction is inherently unsexy. However, every once and awhile, the mainstream investment community becomes enamored with the industry. This is generally the sign of a maturing bull market. Better to take profits and buy back in when resources return to being unsexy.

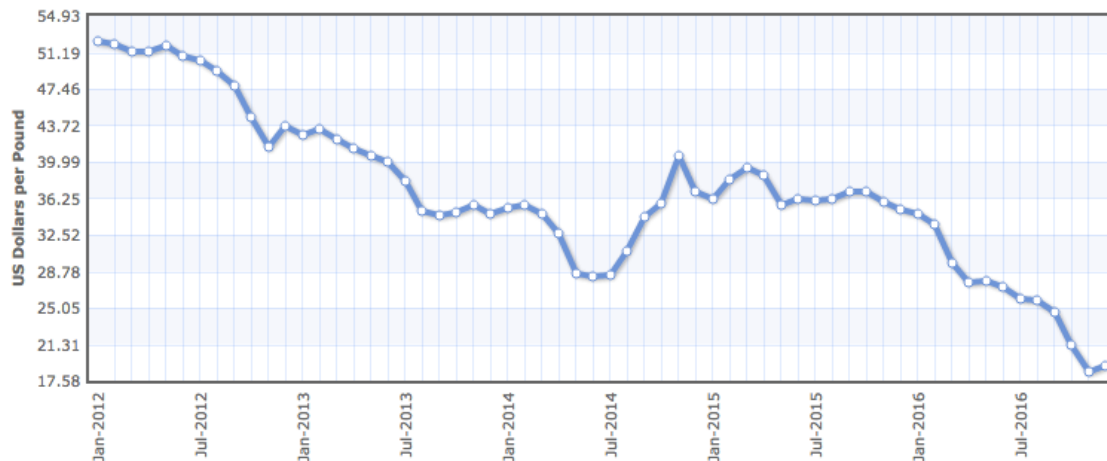
For those underweight natural resources, it is not too late to adjust one's portfolio. While valuations across the resource space were admittedly more attractive in 2015 and early 2016, there is still plenty of money to be made in this current bull cycle.

Additionally, we are seeing signs that the next eight years will be starkly different from what we've seen over the past eight (rising US dollar, low interest rates, currency devaluations in the western world, rising stock markets, falling commodity prices, low inflation, etc). Times are changing, and it would be prudent to shift exposure from the S&P 500 to natural resource equities.

Uranium: The Ultimate Contrarian Investment

Since the Fukushima disaster in March 2011, the uranium industry has experienced close to six years of absolute carnage. This is partially due to a real decrease in demand from Japanese reactors; the country had fifty-four reactors operating before Fukushima, yet only five of these are operating today. It has also been partially caused by extreme pessimism surrounding the future of nuclear power in places like Germany and the United States.

As you can see in the following chart, the price of one pound of U308 has plunged roughly 60% over the aforementioned period.



In the vast majority of cases, uranium equities have performed even worse. In light of the above information, why in the world would anybody want to get involved in this space?

We are actively putting money to work into select uranium equities. My answer to the above question is multi-faceted:

1. The long-term future of nuclear power remains exceedingly bright. Nuclear energy will remain one of the world's most important sources of energy for decades to come.
2. Structural changes from within the past few months indicate that uranium and uranium equities have bottomed. At the very least, further downside is extremely limited.

In regards to nuclear power's long-term future, it is important to note that nuclear and hydropower are the only forms of 24/7 base load power that do not emit carbon dioxide or other air pollutants.

Air quality is becoming an urgent political issue in emerging countries across the globe. It is no coincidence that China alone has twenty reactors under construction and over forty more in the planning stage.

Globally there are a total of 224 reactors that are either under construction, or planned around the world, and an additional 330 reactors that are proposed (with the potential to be operating by 2030).

Let's assume that 33% of the 554 reactors that are either under construction, planned, or proposed ultimately make it to production by 2030. This would mean an additional 185 reactors over the next 13 years. This implies a 40% growth in nuclear power generation, as there are currently 448 reactors operating in 30 countries worldwide.

40% growth over 13 years? This does not sound like an industry on its deathbed by any means. The long-term future of nuclear power remains bright.

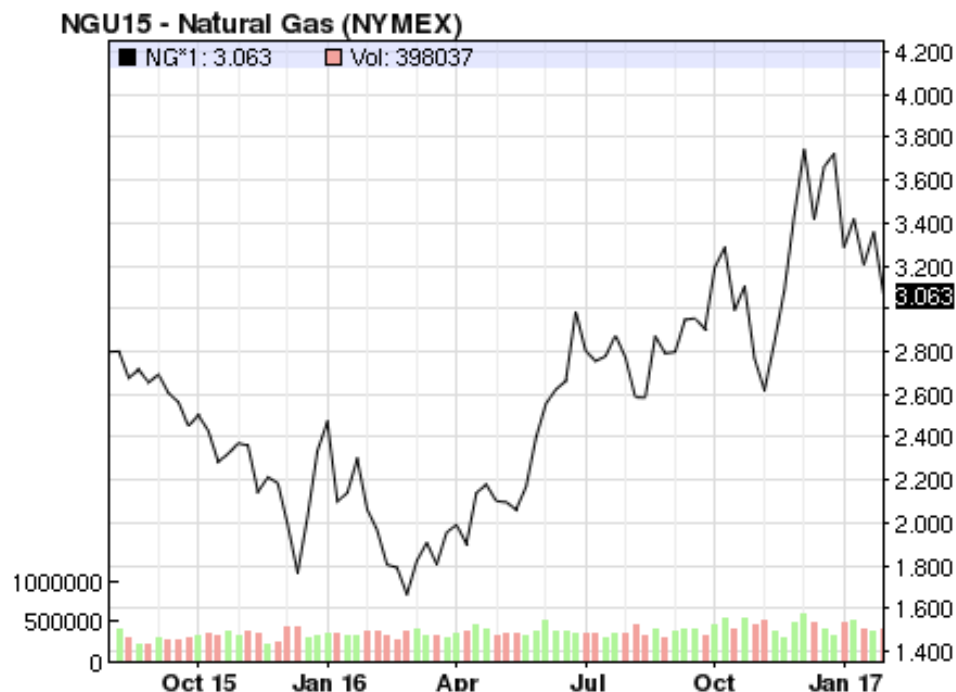
Now let's move onto the structural changes that indicate to me that the U308 price and uranium equities have bottomed. The first major change we've seen over the past 6 months is that supply cuts have been announced by two of the world's largest uranium producers.

Cameco is the largest publicly traded uranium equity and accounts for 24% of global uranium production. In mid-2016, the company announced that it would be cutting supply by roughly 20% by mid 2017.

Just within the past few weeks, the world's largest producer Kazatomprom announced a 10% production cut. This will reduce global uranium supply by another 5m pounds, equivalent to 3% of estimated global U308 production.

As we've seen recently in markets such as zinc and oil, major supply cuts are often a harbinger of higher prices. Sure enough, the uranium price has responded by jumping from a low of US\$18 in November 2016 to above US\$26 today.

Interestingly it has been largely underreported that natural gas prices have jumped nearly 100% since March of last year. This unlikely contributed to the jump in the U308 price over the past 90 days, but it is positive in the medium to long-term. Natural gas competes directly with nuclear in terms of base load power generation, and a rising natural gas price makes nuclear more competitive.



We are looking exclusively to the Athabasca Basin and United States for our uranium exposure.

The Athabasca Basin is the future of uranium supply due to the exceptionally high-grade deposits that continue to be discovered. After all, grade is king. The sole drawback of investing in the Athabasca Basin is that many of these deposits won't be in production for at least five years due to permitting and infrastructure struggles. We've recently participated in placements with Appia Energy and UEX Corp, both of which are based in this region.

The United States uranium industry has two main advantages when compared to the Athabasca Basin, despite the dramatically lower uranium grades. The first is that there are multiple idled projects that can quickly be brought into production within 3-6 months, in response to higher U308 prices. The second is that, regardless of whether Trump survives his first term, having Republicans in the White House guarantees a pro-mining environment for at least four years. This is particularly important given the stigma that surrounds uranium mining. We've recently participated in placements with US-based companies Western Uranium and UEC Corp.

Four Metals Set To Benefit From Trump vs. China Showdown

If there is one thing clear from Trump's first weeks in the White House, it is that the man relishes conflict. Political opponents, federal judges, trade partners, steadfast allies – it doesn't matter. If there is a conflict to be had, Trump will seek it out.

So far, China has been spared from his outbursts. This won't last for long.

As we've seen in the past, when presented with conflict, the Chinese government has not hesitated to cut exports of strategically important metals. Most recently, in 2010 the Chinese government shut down rare earth exports to Japan virtually overnight – due to a territorial dispute in the South China Sea.

There is nothing stopping them from employing the same tactics against the United States as soon as Trump starts acting belligerently towards China. Particularly as Trump tries to coax America into a manufacturing renaissance, there would be no better retribution than cutting the supply of the necessary inputs.

China accounts for the vast majority of reliable global production for the following four metals: heavy rare earths, tungsten, indium, and antimony. The metals are vital to national defense, renewable power generation, and other forms of high-tech manufacturing. At any point, China could fully restrict the United States from accessing these metals.

Below I provide a brief background on each of these metals. Additionally, I include

the names of the development stage projects OUSTIDE of China that could most quickly replace Chinese supply if/when an export ban occurs.

Heavy Rare Earth Elements – Within the past five years, Lynas Corporation has commenced rare earth production at the Mt. Weld project in Australia. While this has provided a significant supply of rare earths from outside of China, it is important to note that the vast majority of Mt. Weld ‘s production is comprised of light rare earths. The world still remains beholden to China for virtually 100% of heavy rare earth supply.

As you can see in the below chart, the heavy rare earths are indispensable for wind power, nuclear power, lasers, sonar systems, ground monitoring devices, and a bevy other of high-tech applications.

A List of All Rare Earth Elements

Z	ELEMENT	SYMBOL	USE
21	Scandium	Sc	Aerospace framework, high-intensity street lamps, high performance equipment
39	Yttrium	Y	TV sets, cancer treatment drugs, enhances strength of alloys
57	Lanthanum	La	Camera lenses, battery-electrodes, hydrogen storage
58	Cerium	Ce	Catalytic converters, colored glass, steel production
59	Praseodymium	Pr	Super-strong magnets, welding goggles, lasers
60	Neodymium	Nd	Extremely strong permanent magnets, microphones, electric motors of hybrid automobiles, laser
61	Promethium	Pm	Not usually found in Nature
62	Samarium	Sm	Cancer treatment, nuclear reactor control rods, X-ray lasers
63	Europium	Eu	Color TV screens, fluorescent glass, genetic screening tests
64	Gadolinium	Gd	Shielding in nuclear reactors, nuclear marine propulsion, increases durability of alloys
65	Terbium	Tb	TV sets, fuel cells, sonar systems
66	Dysprosium	Dy	Commercial lighting, hard disk devices, transducers
67	Holmium	Ho	Lasers, glass coloring, High-strength magnets
68	Erbium	Er	Glass colorant, signal amplification for fiber optic cables, metallurgical uses
69	Thulium	Tm	High efficiency lasers, portable x-ray machines, high temperature superconductor
70	Ytterbium	Yb	Improves stainless steel, lasers, ground monitoring devices
71	Lutetium	Lu	Refining petroleum, LED light bulbs, integrated circuit manufacturing

(Z = Atomic Number)

- Elements 29, 61 = Rare Earths
- Elements 57 – 60, 62 = Light Rare Earth Elements
- Elements 39, 63 – 71 = Heavy Rare Earth Elements

If the United States wants to ensure security of supply for heavy rare earths, it is in our best interest to encourage rare earth supply from outside of China. Two late stage development projects that have caught my eye are Namibia Rare Earths' Lofdal Project in Namibia and Alkane Resources' Dubbo Project in New South Wales, Australia. Lofdal in particular contains an exceptionally high percentage of heavy rare earths (as determined by the HREO to TREO ratio), and both projects have seen significant work over the past five years.

Tungsten – China accounts for roughly 85% of global tungsten supply. There is currently no production from the United States.

By far the largest market application for tungsten is in the production of “cemented carbides” at around 60% of the total demand. Cemented carbides are utilized across a range of sectors that are mainly related to heavy industry – cutting tools, wear parts, and mining/construction tools account for the majority of use. Other applications include electronics, energy, and aerospace/defense.

There are two development stage tungsten projects of note in North America: Northcliff Resources' Sisson Project in New Brunswick and Silver Predator's Springer Project in Nevada. Both of these need higher tungsten prices to justify production. Sisson is world-class in its scale, while Springer is a brownfield operation that can more quickly be brought into production.

Indium - China accounts for over 60% of global indium supply. There is currently no mine production from within the United States.

Although indium has been in commercial use for less than 100 years, many of today's electronics now rely on its unique properties. Most indium is used to make indium tin oxide (ITO), which is an important part of touch screens, flatscreen TVs and solar panels. This is because it conducts electricity, bonds strongly to glass, and is transparent. LCD computer monitors and television sets alone account for 50% of indium consumption.

Indium is one of the least abundant minerals on Earth and is typically found associated with zinc sulphide ores. I'm watching two development stage projects that have the potential for significant indium byproduct production: Tinka Resources' Ayawilca Project in Peru and InZinc Mining's West Desert Project in Utah. At current prices, indium comprises only 5-10% of the gross metal value at each of these projects. However, a spike in the price of indium would dramatically transform the economics of each operation.

Antimony – China accounts for roughly 88% of global antimony supply. The United States' only producing antimony mine was mothballed in 2015. We now import 100% of our antimony needs.

Antimony is best known for its flame-retardant properties and is used for this purpose in children's clothing, toys, aircraft, and automobile seat covers. It is also used in the electronics industry to make some semiconductor devices, such as infrared detectors and diodes. Additionally, antimony is alloyed with lead or other metals to improve their hardness and strength. A lead-antimony alloy is used in batteries. Other uses of antimony alloys include type metal (in printing presses), bullets, and cable sheathing.

There is one late stage antimony project in the United States: Midas Gold's Stibnite Project in Idaho. Due to permitting, this project is roughly three years from first production. The majority of Stibnite's cashflow will come from gold, however antimony will be an important byproduct. Antimony currently accounts for 8% of the project's gross metal value; I suspect this percentage will be higher by the time Midas reaches first production.

In conclusion, thanks to Trump's bellicosity, the supply of heavy rare earths, tungsten, indium, and antimony to the United States is likely to be disrupted in the coming months and years. Investors who position themselves for this possibility BEFORE US/China tensions ratchet up have the opportunity to make some serious money. Those who remember the exponential share price moves during the rare earth crisis of 2010 know exactly what I mean.

Overview of Partnership Holdings

Below is a breakdown of the Partnership's holdings as of January 27, 2016.

The Partnership is exposed to different commodities, different jurisdictions, and different stages of the development cycle.

We will remain overweight energy metals, industrial metals, and precious metals through 2018.

Allocation By Commodity	
<i>Food & Water</i>	
Sulphate of Potash (SOP)	2%
Agriculture*	2%
<i>Forestry</i>	
Sandalwood*	4%
<i>Energy Metals</i>	
Uranium	16%
Scandium	3%
Lithium	2%
<i>Industrial Metals</i>	
Zinc	11%
Copper	5%
Tin	4%
Nickel	4%
<i>Precious Metals</i>	
Silver	25%
Gold	18%
<i>Cash (USD)</i>	4%

* Signifies minimal correlation to the mining sector

Allocation By Country	
United States	31%
Canada	20%
Australia	11%
Mexico	6%
Bolivia	6%
Argentina	4%
Ivory Coast	4%
United Kingdom	4%
Cambodia	3%
Eritrea	2%
Peru	2%
Cash (USD)	4%

Allocation By Operational Phase	
Exploration	32%
Development	52%
Production	12%
Cash (USD)	4%

Featured Investment

Viscount Mining (TSXV: VML)

Viscount Mining is a prospect generator building a portfolio of high-quality precious metal properties within the United States. Viscount's two core projects are Cherry Creek (East Central Nevada) and Silver Cliff (South Central Colorado).

With a current Enterprise Value of ~C\$22m, VML shares are a prudent (though not riskless) speculative bet on two highly prospective precious metal projects. Each of these projects has the potential to generate C\$100-250m in value for VML shareholders, but results must be delivered on both fronts over the upcoming 12 months.

The Partnership has held VML shares for roughly eighteen months, with an average cost of C\$0.33 per share. As of February 9th, Viscount was trading at C\$0.56.

In this *Featured Investment* piece, I start by providing a primer on the “prospect generator” business model. Next I present my investment thesis for Viscount, starting with the company's background and management team. We then take a look at VML's two core projects: the Cherry Creek earn-in with Sumitomo Mining and the fully owned Silver Cliff Property. We conclude with Viscount's expected milestones over the coming year, so readers can keep tabs on the company alongside me.

What is a Prospect Generator?

Mineral exploration is a business fraught with risk and disappointment. In 2007, Rio Tinto estimated that of 1,000 greenfield targets approximately 1 becomes a profitable mine. Furthermore, only 1 target in 3,333 becomes a world-class deposit.

Despite these odds, most junior explorers will stake a single promising mineral property and then drill exploratory holes until one of two things happen: (1) they get lucky and hit a discovery hole or (2) the company runs out of cash. This is great news for those that get lucky, but these are long odds to say the least.

There is another approach however and that is the prospect generator model. In short, prospect generators maintain a large portfolio of grassroots properties and then create joint venture partnerships and earn-in agreements with other firms. These third parties (who are generally larger and more established) then spend their own money and time advancing the project in exchange for a majority ownership position.

Below you will find the basic process that prospect generators follow:

1. Stake prospective mineral licenses.
2. Partake in early stage exploration work, sometimes without drilling a single hole.

3. Package/market projects to larger players that may be interested in the jurisdiction, the target commodity, or the geology.
4. Sit back and watch the partner spend money on your behalf.
5. Reinvest working capital into new grassroots properties and repeat the process.

Globally there are roughly forty publicly traded companies employing this business model (with no more than ten focused on the United States). These companies enjoy multiple benefits relative to their “single-story” counterparts:

1. The risks are spread across multiple projects.
2. The lower “burn rate” means less dilution.
3. This model relies on intellectual capital, which gains value with time.
4. There are past success stories to lean on – with Reservoir Minerals being the most recent example.

There is really only one shortcoming to the prospect generator model. If a partner finds something that ends up turning into a mine, the prospect generator will only own 10-30% of the project by the time production is reached.

That said, economic mineral projects can be worth hundreds of millions if not billions of dollars. Even a small sliver of ownership in a significant discovery can result in a tenfold return for early shareholders.

Investment Thesis for Viscount

Viscount Mining is one of the newest prospect generators on the scene. CEO Jim MacKenzie and Chairman Kaare Foy founded the company in late 2013 – an opportunistic move given the debilitating bear market that the junior resource space was undergoing at the time.

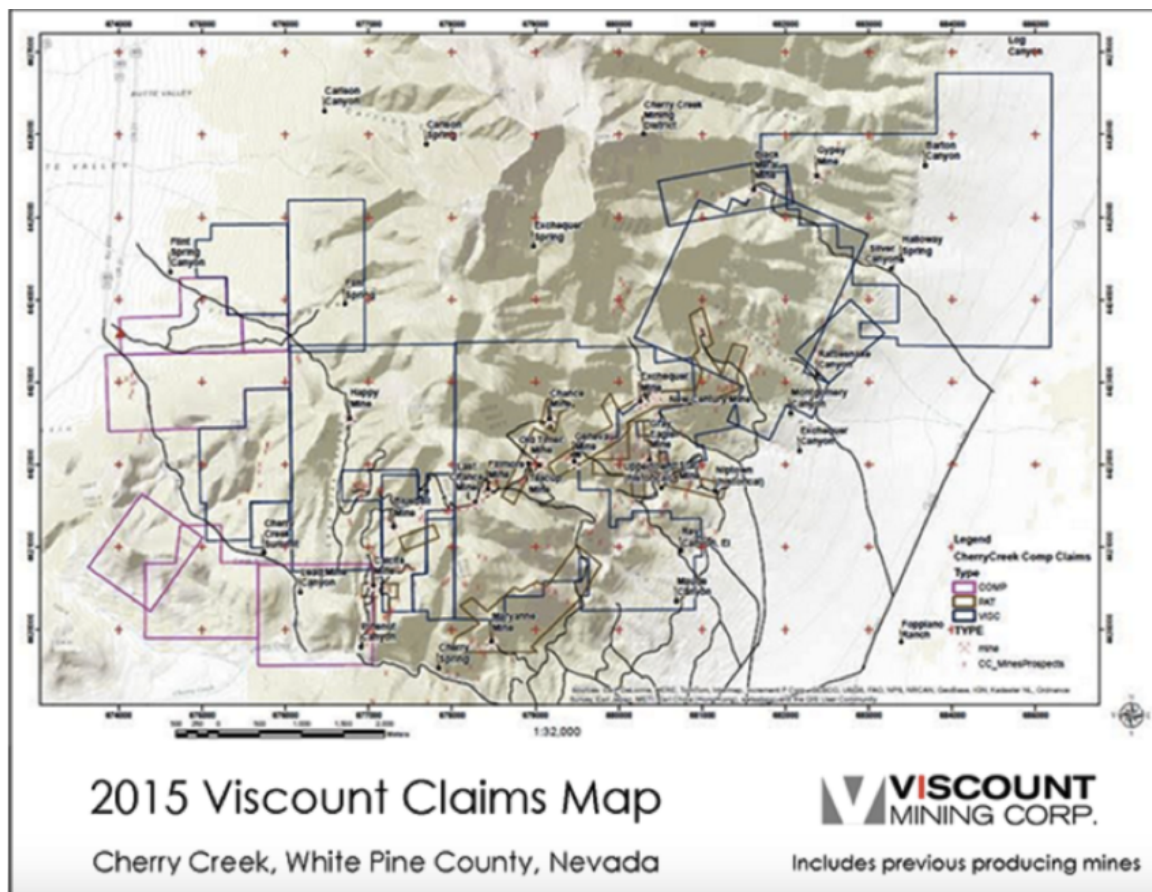
The two founders make a unique pair. While Jim MacKenzie is a new name to the junior resource space, he has multiple successes under his belt in tech and media. Jim brings boundless energy, unique charisma, and a bevy of strategic connections across North America. Kaare Foy has a more traditional mining background – having served as Executive Chairman at Great Panther Silver between 2003 and 2009. He brings operational experience, industry connections, and corporate governance credibility. While the two hadn’t worked together prior to Viscount, Jim and Kaare have so far formed a cohesive team.

In June 2016, the company closed an oversubscribed C\$2.3m financing at \$0.50 with a full warrant at \$0.70. The deal brought additional strategic investors onto the shareholder register, including Toronto-based Gravitas Securities, Sprott Asset Management, and the CEOs of two North American silver producers.

The financing ensures that Viscount has a 9-12 month runway before requiring additional capital. This gives the company sufficient time to prove to the market that both Cherry Creek and Silver Cliff deserve substantial valuations. If VML is successful on either front, the company will be able to raise their next round of capital at a significantly higher valuation.

Cherry Creek Earn-In Agreement with Sumitomo Corporation

Cherry Creek has been the primary driver of Viscount's share price over the past two years. The story begins in early 2013, when MacKenzie took multiple trips to remote eastern Nevada. His mission was to unify a series of highly prospective mining claims, which hadn't been touched since the 1940's due to a history of bitter disputes between the landowners. Through persistence and deft negotiating, Jim was able to consolidate the claims in late 2013.



The project consists of more than 9,000 acres encompassing 400 unpatented and patented claims, and is located approximately 30 miles north of Ely, Nevada. From roughly the mid 1800's thru the early 1900's, Cherry Creek was host to more than 20 producing silver, gold, and tungsten mines (including Blue Bird, Chance, Filmore, Last Chance, Exchequer/New Century, and Ticup). It was this past production that attracted MacKenzie to Cherry Creek in the first place.

In the latter part of 2014, Viscount announced a landmark earn-in agreement at Cherry Creek by partnering up with Summit Mining, a wholly owned subsidiary of global industry group Sumitomo. Sumitomo's mining division is a massive operation, with a current market capitalization of ~US\$8b. Their willingness to partner with a junior like Viscount demonstrates Sumitomo's belief that Cherry Creek has the potential to host a multi-million ounce precious metal deposit.

Sumitomo has the ability to earn a 75% ownership in the Cherry Creek project by spending a minimum of \$10 million in direct exploration costs and delivering a full Feasibility Study (which can cost upwards of \$25 to \$40 million to complete). Once the Feasibility Study is delivered, Viscount retains the option to "put" their 25% ownership back to Sumitomo at a valuation determined by a mutually agreed upon third party appraisal firm.

Sumitomo completed a comprehensive surface exploration program in 2015, which was followed up by a mid-level drill campaign to test the continuity of underground silver bearing structures in both the Ticup and Doctor's Cut zones. Assays from the program were announced in February 2016 and the results confirmed widespread silver mineralization.

Sumitomo has followed up the initial work with a much larger exploration program. In the coming weeks, drill results are expected at the Exchequer, New Century, Star, and Grey Eagle mine complexes. Each of these produced significant amounts of gold, silver, and base metals pre-World War II. Sumitomo is attempting to discover the source of this mineralization and is hopeful that a deep-seated polymetallic deposit is resting below the legacy mining operations.

Flint Canyon is another highly prospective zone within the Cherry Creek property. This zone is comprised of ideal gold-bearing Pogonip and Notch Peak formations; these rock sequences are known to host Carlin-type gold mineralization in east-central Nevada. Additionally, mineralized jasperoid outcrops are common throughout the Flint Canyon zone. "Jasperoids" are significant pathfinders for the identification of large, disseminated Carlin-type gold deposits. Surface sampling at Flint Canyon has produced impressive results to date with large zones of anomalous surface gold occurrences, which has led geologists working on the project to believe that the Flint Canyon zone could be host to a large, near surface gold deposit.

In August 2016, Viscount announced a positive exploration update on Flint Canyon. According to the release:

The soil sampling combined with previously announced anomalous rock sample results (October 29, 2015) has yielded gold (Au) and pathfinder element anomalies for Mercury (Hg), Arsenic (As), Antimony (Sb) and Thallium (Tl) similar in size and tenor to soil and rock geochemical sampling results at other mines and advanced properties in Nevada. These include Kinross Gold's Bald Mountain mine; Newmont Mining's Long Canyon project, Agnico-Eagle's West Pequot project and Pilot Gold's Kinsley Mountain project.... From the distribution of anomalous gold results, there are at least two major target areas that need to be tested by several drill holes.

It's been busy at Flint Canyon. Sumitomo completed construction of an access road in Q3 2016. The company also gathered an additional 626 soil samples to extend the anomalous trends and fill in open priority target areas.

In early Q4 2016, Sumitomo commenced a RC drilling program at Flint Canyon. Initial reports suggested that the program would include 18 holes from 12 different drill sites for a total of ~4400m.

Interestingly, shortly after starting drilling, Sumitomo announced that it would be increasing the size of the drill program. In a Nov 22nd news release, Viscount stated the following:

The revised drill plan is for 34 holes from 11 sites for 24,000 feet (7,317 m). Drilling has progressed well and is continuing due to good weather, ground conditions, and short drill rig moves. Currently the program is expected to continue to the end of November.

This is undoubtedly a positive development for Viscount shareholders. One can only assume that Sumitomo found something interesting in the first few holes and decided to act more aggressively.

Unfortunately, Sumitomo has dragged its feet in sharing the drill assays with Viscount's management. This has frustrated the market and explains the relative share price underperformance over the past few months. Management expects to receive the drill results from Sumitomo by the end of Q1 2017. This is the single biggest pending catalyst for VML shareholders.

Silver Cliff

Silver Cliff is the lesser known of the company's two core properties. The project consists of over 100 lode claims and is located approximately 40 miles southwest of Pueblo, Colorado. The project area is situated in a geological setting similar to Cripple Creek, a historic mining district in Colorado.

Hecla Mining, a \$3b silver producer, completed a non 43-101 compliant PEA on the property in the mid 1980's. For this study, Hecla used a historical resource of roughly 50 million ounces of silver. The silver outlined in this historical resource was both high grade and located within 100 meters of surface – which means that the deposit will be

amenable for open pit mining (pending permits). If Viscount is able to verify the accuracy of this 50 million ounce estimate, this is certainly a large enough deposit to move the needle for a mid-tier silver producer.

In mid December, the company completed a modest 9-hole drill program totaling 458 meters. The company has released assays from six of the holes (see below). Results for the final three holes should be announced in the coming weeks.

Viscount Hole #	Twinned Hole #	From (m)	From (ft.)	To (m)	To (ft.)	Length (m)	Length (ft.)	Ag (oz/t)	Ag (g/t)
K16-01	73-2	16.76	55	32.00	105	15.24	50	26.9	837.4
K16-01	73-2	18.29	60	28.04	92	9.75	32	40.9	1271.1
K16-01	73-2	18.29	60	24.38	80	6.09	20	57.2	1778.5
K16-03	89-27	17.37	57	34.14	112	16.77	55	4.5	141.1
K16-03	89-27	24.99	82	34.14	112	9.15	30	7.8	242.0
K16-04	89-26	15.54	51	36.88	121	21.34	70	5.7	178.5
K16-04	89-26	18.59	61	34.15	121	18.29	60	6.5	203.4
K16-04	89-26	23.17	76	34.15	121	13.72	45	8.1	250.7
K16-05	89-53	19.81	65	33.53	110	13.72	45	12.6	390.9
K16-06	88-2	19.81	65	36.58	120	16.77	55	1.2	36.1
K16-06	88-2	30.48	100	36.58	120	6.10	20	1.7	53.8
K16-08	88-36	32.00	105	52.73	173	20.73	68	7.4	228.6
K16-08	88-36	35.05	115	52.74	173	17.68	58	8.6	265.9

From my experience, most VML shareholders are either unaware of Silver Cliff or ascribe very little value to the project. I view Silver Cliff as free upside on top the company's current ~C\$22m Enterprise Value. But the market is likely to take notice of this project in 2017, due to a phase two drill program in Q2 and an updated PFS in the second half of the year.

It is impossible to determine a precise fair value for early-stage mineral exploration outfits such as Viscount. That said, some basic outcome visualization suggests that Viscount is a prudent speculative bet at its current valuation. Let's look at each project individually.

Cherry Creek

What constitutes a success? Sumitomo outlines three million ounces of high-grade gold at Cherry Creek.

How much value would this create? Comparables in Nevada (namely Gold Standard Ventures) indicate that the market would ultimately assign C\$2b in value if Sumitomo defines a high-grade, multi-million ounce deposit. Remember that Viscount will only own 25% of anything significant that is discovered.

What are the chances of a success? Three million ounce deposits do not come around often. However, Sumitomo's decision to nearly double the initial drill program is a very positive signal. It is also worth noting that Cherry Creek is the ONLY precious metal exploration project that Sumitomo is working on in North America. Let's assume a 10% chance of success.

What is the speculative value of Viscount's stake in Cherry Creek?

$C\$2b \times 25\% \text{ ownership} \times 10\% \text{ chance of success} = C\$50m$

A couple quick notes regarding this speculative value calculation:

1. This "10% chance of success" should be adjusted once first drill results are announced at Cherry Creek. If the results are positive, this number will jump to 20% or above - resulting in a higher valuation for the entire property.
2. Viscount has the option to "put" their 25% stake in Cherry Creek back to Sumitomo once a Feasibility Study has been published. This "put option" is virtually unheard of in mining earn-in agreements, and it provides Viscount management with valuable flexibility. Out of conservatism, I have chosen not to quantify this put option and instead treat Cherry Creek as a standard earn-in agreement.

Silver Cliff

What constitutes a success? Viscount confirms the 50m ounces of silver that Hecla outlined in the mid 1980's.

How much value would a success generate? Recent silver buyouts have occurred at approximately US\$1.50 per ounce in the ground. This results in a C\$98m best-case scenario for Silver Cliff.

What are the chances of a success? Considering the positive results from the recent drill program, let's assume a 50% chance of realizing this outcome.

What is the speculative value of Viscount's stake in Silver Cliff?

C\$98m CAD x 50% chance of success = C\$49m

If one were to fully accept the above assumptions, this results in a total speculative value of **C\$99m** for both Cherry Creek and Silver Cliff, or C\$1.60 per fully diluted share. This is ~186% above Viscount's current share price, which is why I deem Viscount a prudent speculation at this time.

Keep in mind that the above speculative value calculations need to be reworked as soon as new information becomes available at both Cherry Creek and Silver Cliff. If there is positive news on both fronts, then the "chance of success" will increase for each property – resulting in higher valuations. The near term news flow (and the potential for valuation re-ratings at each property) is what makes this story particularly exciting.

I've provided below my expectations as a VML shareholder over the coming year:

- Assays from final three holes @ Silver Cliff **by end February 2017**
- First drill results @ Cherry Creek **by end Q1 2017**
- Phase two drill program @ Silver Cliff **by end Q2 2017**
- Phase two drill program @ Cherry Creek **by end Q3 2017**
- Prefeasibility study released @ Silver Cliff **by end 2017**

The remainder of Q1 2017 should contain some quality news flow - with results from the final 3 holes from Silver Cliff and the long-awaited Flint Canyon assays both expected. For those willing to act decisively, Viscount shares below C\$0.60 is an excellent opportunity.

Past Featured Investments

Golden Arrow Resources (TSXV: GRG)

Featured In: **July 2016**

Partnership Average Cost per Share: **C\$0.24**

Current Market Price (Feb 9, 2017): **C\$0.75**

Golden Arrow Resources was one of our top performers last year, with a share price gain of 265%. The company benefitted from a revival in the silver price twinned with renewed optimism for the Argentinean mining industry. Thanks to near term catalysts at both Chinchillas and Antofalla, Golden Arrow looks poised to carry this outperformance into 2017.

Golden Arrow's flagship asset is the Chinchillas Project located in northern Argentina. Since acquiring the project in 2011, the company has successfully discovered 250 million silver-equivalent ounces. This makes Chinchillas one of the largest silver development stories in the world.

In October 2015, Golden Arrow (which at the time had a sub C\$10m market cap) signed a JV deal with precious metals heavyweight Silver Standard. Silver Standard's rationale for doing the deal was simple—its Pirquitas Mill runs out of feed in 2017 and it sees an opportunity to use Chinchillas, located only 30km from the mill, to extend Pirquitas' production life by multiple decades.

The JV agreement stipulated that Silver Standard would "spend a minimum of US\$4 million for pre-development activities" and "up to US\$12.6 million based on the success of the pre-development activities". To form the joint venture, Silver Standard must pay Golden Arrow an amount equal to 25% of the Pirquitas Mine's cash equivalent earnings starting October 2015 (minus certain expenditures for exploration, capital investment, and closure costs). The 25% exercise payment must be sent to Golden Arrow by March 31, 2017.

It has now been sixteen months since the deal was signed and Silver Standard has not yet entered into the JV. However, Silver Standard's hand will be forced shortly as the March 31, 2017 deadline is fast approaching. I remain confident that the deal will go through for the following reasons:

(1) Since the agreement was signed in October 2015, the precious metals markets have seen a dramatic reversal in fortune. The price of silver was roughly \$14.50 when this agreement was first signed; it now sits around \$18 and has risen as high as \$20.50 within the past 12 months. If Silver Standard was able to justify this deal at \$14.50 silver, then the higher metal prices will only increase their enthusiasm for Chinchillas.

(2) Silver Standard confirmed on a November conference call that all technical work will be completed at Chinchillas before the March 31st deadline. Additionally the company stated that it had already spent US\$10.5 million at Chinchillas, including US\$3M in Q3/16 alone. It is likely that US\$12.6M in expenditures stipulated in the agreement has already been reached.

Given the improvement in silver prices and Silver Standard's aggressive expenditures on pre-development activities, I am nearly certain that this deal will go ahead in Q1. What we don't yet know is the structure, and we could see any of the following occur:

- (a) Silver Standard acquires 100% of Golden Arrow,
- (b) Silver Standard buys the Chinchillas Project from GRG for shares/cash,
- (c) Silver Standard and Golden Arrow put Pirquitas Mill and Chinchillas into a separate vehicle, or
- (d) Silver Standard vends Pirquitas Mill into Golden Arrow in exchange for shares.

Beyond Chinchillas, Golden Arrow also has upcoming catalysts at its fully-owned Antofalla Project. The company is particularly excited about Antofalla due to its strong geologic similarities to Chinchillas.

In October 2016, Golden Arrow announced a C\$2m work program at Antofalla including "remote sensing, IP/Resistivity geophysics, and geochemical sampling to delineate targets that will be tested with an estimated 3000-meter drill program". I anticipate that first drill results from Antofalla will be announced in Q2 of this year. This prospect has a legitimate chance of becoming the Grosso Group's fourth major mineral discovery in Argentina and could generate significant value beyond Chinchillas.

There are very few silver plays with such significant milestones expected over the coming months. Additionally, the nature of the Chinchillas deposit (bulk tonnage and relatively low-grade) gives Golden Arrow shareholders substantial leverage to further increases in the silver price. The next couple of quarters will be transformational for GRG, and investors interested in the story should get involved while the share price is below C\$1.

Excelsior Mining (TSXV: MIN)

Featured In: **July 2016**

Partnership Average Cost per Share: **C\$0.24**

Current Market Price (February 9, 2017): **C\$0.86**

Excelsior Mining was our featured investment in July 2016, and we've been shareholders for close to three years. The company's Gunnison Project in Arizona remains our favorite base metal development play in North America; even after the 150% share price performance we've seen over the past 6 months.

Just within the past 90 days, there have been three key developments to the Excelsior story:

(1) On November 23rd, management announced a US\$14m financing with private equity group Greenstone Resources. This gives the company a sizable working capital cushion, and there should be no more dilution until construction financing is raised in 2017.

(2) In early December, the company released a Feasibility Study confirming Gunnison's spectacular economics. There are very few projects anywhere in the world that can generate robust financial returns at current copper prices, and even fewer that can reach production within 24 months. Gunnison checks both of these boxes. I'll discuss the Feasibility results in further detail below.

(3) Finally, in perhaps the most important development, the EPA issued the final necessary permits for competitor Taseko Mines to begin construction at their Florence ISR copper project in Arizona. As followers of Excelsior know, the mine-permitting situation at the Florence Project is far more complex. (Unlike Gunnison, Florence is located in a populous basin and has faced substantial opposition from local groups.) Taseko receiving final permits just days before Christmas erases any credible worries regarding the remaining permits pending @ Gunnison.

Despite these positive developments, Excelsior's enterprise value of US\$95m is still significantly removed from Gunnison's projected NPV. The company provided the following sensitivity report within their recently filed Feasibility Study. As you can see, even at \$2.25 copper (~15% lower than the current copper price), the project is projected to produce a US\$522m NPV with a robust 29% IRR. This compares very favorably to Gunnison's initial capex estimate of ~US\$50m.

Post-Tax Sensitivity Analysis*										
	Acid Plant					Non-Acid Plant				
Cu Price	\$3.25	\$3.00	\$2.75	\$2.50	\$2.25	\$3.25	\$3.00	\$2.75	\$2.50	\$2.25
IRR	51%	45%	40%	35%	29%	51%	46%	41%	35%	28%
NPV*	\$1,086	\$947	\$807	\$664	\$522	\$972	\$831	\$691	\$548	\$405
*million \$ at 7.5% discount rate										

Of course, a project is very rarely valued at its full NPV until nameplate production is reached. Based on my experience, a project with an economic Feasibility Study should be conservatively valued at 30% of NPV. (This admittedly back of the envelope discount implies that roughly 1/3 of projects at this stage ultimately realize their full NPV.)

Under the above assumptions, Gunnison's implied project value is US\$157m at its current stage. This is significantly higher than the company's enterprise value of US\$95m (using fully diluted share count and assuming cash position of US\$14m). This 40% "margin of safety" is well above the 30% margin that Ben Graham sought for his investments.

Excelsior has an excellent opportunity to commence production within the next 24 months, with the following milestones expected:

Underground Injection Control (UIC) draft permit issued by EPA **by end Q2 2017**

Aquifer Protection Permits (APP) draft permit issued by state **by end Q2 2017**

Final UIC and APP permits received **by end Q3 2017**

Construction financing raised @ Gunnison **by end Q3 2017**

Construction commences @ Gunnison **by end Q3 2017**

First copper production @ Gunnison **by end Q3 2018**

Excelsior remains my favorite copper play in North America with near-term production potential. If the company is able to execute on the above milestones, shares have the potential to double or even triple by the time construction commences at Gunnison in late 2017.

Almadex Minerals (TSXV: AMZ) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **January 2016**

Partnership Average Cost per Share: **C\$0.16**

Exit Price: **C\$1.62 CAD**

TFS Corporation (ASX: TFC)

Featured In: **July 2015**

Partnership Average Cost per Share: **AU\$1.86**

Current Market Price (February 9, 2017): **AU\$1.53**

TFS Corporation was our featured investment in July 2015. The company remains our largest forestry holding. TFS shares have been range bound between AU\$1 - \$2 for well over two years, despite continued progress from the company. I still believe that we will see a dramatic re-rating of the TFS share price over the coming 3-5 years to better reflect the company's dominant position in the global sandalwood trade and the value of fully-owned subsidiary Santalis Pharmaceuticals. Shareholders get to collect a ~2% dividend yield as we wait.

It was a busy second half of 2016 for the company, with the following noteworthy developments:

1. The company completed its third annual harvest in late August. Around 32,000 sandalwood trees were harvested, producing 310 tonnes of heartwood – the valuable oil-bearing portion of the tree. This is a 10x increase over last year's production. The company's Primary Processing Center (PPC), which operated around the clock during harvest season, is pictured below.

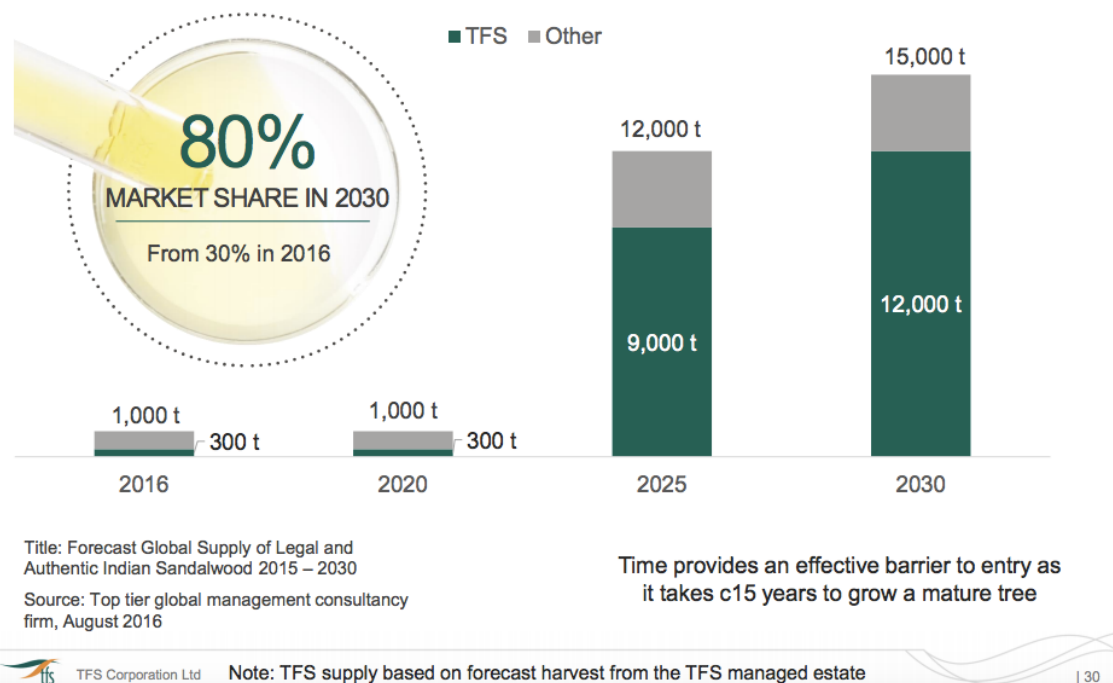


2. On Sept 27th, the company announced its first sandalwood shipments to China under the recently announced five-year, 150 tonnes per annum supply agreement.

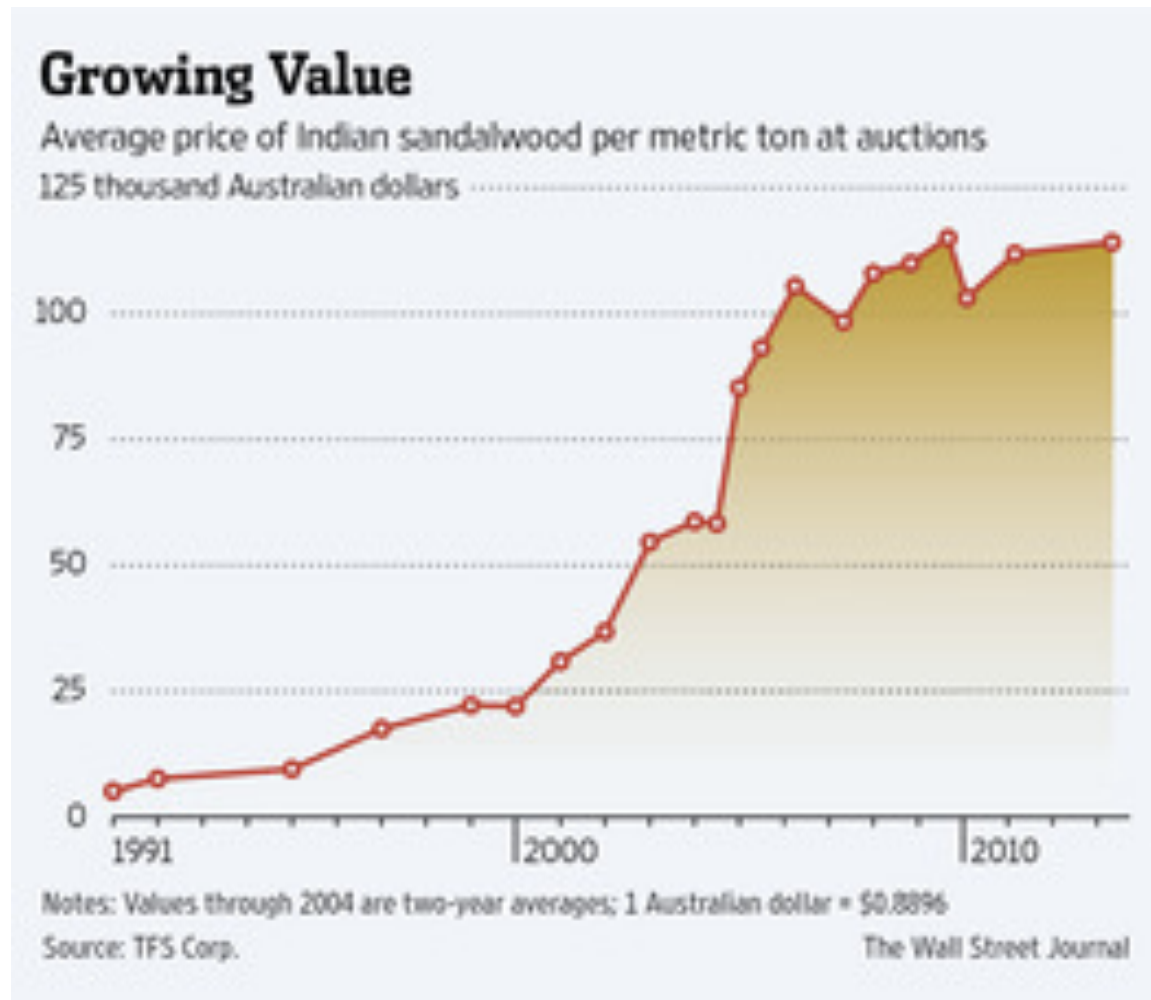
Additional shipments occurred on a monthly basis throughout the remainder of 2016. China is expected to consume roughly 40% of all legal Indian sandalwood by 2025.

3. A top tier global management consultancy completed a market study concluding that TFS will control 80% of the Indian sandalwood market by 2030. Indian sandalwood takes 15 years to grow and any trees not yet planted cannot be ready for harvest by 2030. This study took inventory of all current sandalwood plantations in India, China, and Australia, and determined that TFS's market share is set to dramatically increase over the next fifteen years.

TFS positioned to be the major supplier of legal and authentic sandalwood



4. Finally, TFS announced a AU\$50m contract to sell sandalwood oil to US-based Young Living, the largest essential oils company in the world. This is one of the largest contracts that TFS has signed to date, but more importantly the contract sales price is AU\$6000 per kilogram– 15% higher than the company's 2016 average sales price of AU\$5202. As seen in the below chart, Indian sandalwood has seen twenty-five years of consistent price increases. This extraordinary bull market shows no sign of slowing down.



TFS values its biological assets at AU\$614m using current sandalwood prices. This compares to a market capitalization of AU\$599m. Based on this valuation, the market is implying the following: (1) there will be no further increases to the price of Indian sandalwood, (2) TFS's dominant position in the sandalwood market does not deserve a premium valuation, and (3) the value of the company's fully owned subsidiary Santalis Pharmaceuticals is effectively zero.

Unsurprisingly I disagree with all three of the above points. Further increases in the price of Indian sandalwood is very likely to continue - due to strong demand from new sandalwood markets (pharmaceuticals and cosmetics) and the fact that aside from TFS there will be very few sources of legal sandalwood for at least fifteen years. Additionally, TFS deserves a premium valuation as they are set to become the undisputed market leader over the coming decades. Finally, one could make the argument that Santalis Pharmaceuticals alone is worth between AU\$400-650m based on comparable biotech companies. Further information can be found in this presentation, which was just published within the past four weeks:

http://www.tfsltd.com.au/files/9314/8400/9692/Presentation_to_JP_Morgan_Healthcare_Conference.pdf

For those with longer-term time horizons, TFS shares offer compelling upside with minimal risk. The market clearly doubts the credibility of TFS's core plantation ownership/management business, and doesn't believe that Santalis Pharmaceuticals will create value. The market will be proven wrong but it won't happen overnight. The company will be rebranding as Qunitis within the next few months, which might draw increased attention to the name. TFS shares below AU\$2 are a steal.

Nevsun Resources (NYSE: NSU)

Featured In: **January 2015**

Partnership Average Cost per Share: **US\$3.07**

Current Market Price (February 9, 2017): **US\$3.12**

Nevsun was our featured investment in January 2015. The company remains the most undervalued mid-tier base metal producer on the market. While there is near-term downside risk due to metallurgical issues at the company's Bisha Mine, the market has yet to grasp the immense value of the company's recently purchased Timok Project in Serbia. For those with a three-year time horizon, NSU shares are a steal at these levels.

In an otherwise excellent year, Nevsun announced in October 2016 that recoveries of zinc and copper from the concentrate circuit at Bisha are well below expectations. An announcement in early January confirmed that these issues have not been fully resolved, and a more comprehensive update is expected in late February when the company releases its financials.

Nevsun commenced zinc production less than six months ago, and these types of start up difficulties are common. However, the issue will continue to weigh on the NSU share price until the company can announce concentrate grades of ~55%. (The company's average concentrate grade was 40% in 2016.) This will be a key catalyst for 2017.

While Bisha will remain a cash flow machine, the majority of future value creation will come from the company's Timok Project. Just last month, the company reported the following infill results from Timok's "Upper Zone":

- New massive and semi-massive sulphide intersections include:
 - TC160121: 182.3m @ 4.17% Cu, 4.80g/t Au, including 40.5m @ 11.61% Cu, 12.9g/t Au
 - TC160119: 86.2m @ 9.47% Cu, 8.83g/t Au, including 46.5m @ 15.61% Cu, 11.29g/t Au
 - TC160117: 98.8m @ 9.82% Cu, 8.86g/t Au, including 33.0m @ 20.04% Cu, 14.35g/t Au
 - TC160114: 171.0m @ 4.94% Cu, 5.21g/t Au, including 10.5m @ 11.09% Cu, 17.82g/t Au and 24.0m @ 10.27% Cu, 6.71g/t Au, and 7.5m @ 7.88% Cu, 3.78g/t Au

These results remind us how special this deposit really is. Keep in mind that the average grade for producing copper mines globally is below 0.5%. Timok has the potential to be an exceptionally economic mine.

The next major catalyst at Timok is a Prefeasibility Study, which is expected in Q3 2017. A PEA released in April 2016 projected a post-tax NPV of US\$1.3b and an IRR of 96% at current metal prices. The upcoming PFS will show similar, if not better, numbers. Keep in mind that the PFS will only include the 100%-owned Upper Zone, as Nevsun also owns ~50% of the project's much larger Lower Zone.

I've provided below the additional milestones that Nevsun shareholders should expect from both Bisha and Timok over the coming months:

Maiden resource @ Asheli deposit (located near Bisha Mine) **by end Q1 2017**

Completion of 30k meter drill program @ Timok's Upper Zone **by end Q2 2017**

Prefeasibility Study announced @ Timok's Upper Zone **by end Q3 2017**

Company announces new CEO **by end 2017**

Maiden Resource @ Timok's Lower Zone **by end 2017**

Completion of underground exploration decline @ Bisha **by end 2017**

Completion of underground exploration decline @ Timok **by end Q1 2018**

Feasibility Study announced @ Timok's Upper Zone **by end 2018**

Nevsun currently has no debt and roughly US\$200m in the bank. Considering future cash flow from Bisha, the company should be able to finance initial capex at Timok (expected to be US\$213m) without any equity dilution. If management is able to execute as they have in the past, we'll have a US\$10 stock when Timok commences production in late 2019.

Tsodilo Resources (TSXV: TSD) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **July 2014**

Partnership Average Cost per Share: **C\$0.86**

Exit Price: **C\$0.71**

Lithium Americas (TSX: LAC)

Featured In: **January 2014**

Partnership Average Cost per Share: **C\$0.24**

Current Market Price (February 9, 2017): **C\$1.00**

We've been Lithium Americas shareholders since mid 2013, with an average cost per share of C\$0.24. Over the years management has executed upon milestones time and time again, yet the company continues to be undervalued based on its stake in the Cauchari-Olaroz JV alone. Until the company is fairly valued for its share of the JV, we will remain patient shareholders.

Before we discuss the fair value of the Cauchari-Olaroz JV, let's consider the developments we've seen over the past six months:

1. In late August, the company announced that nameplate production at Cauchari-Olaroz would actually be 50k tonnes per annum – a 25% increase from original plans. This speaks to both the immense size of the project and the strength of future lithium demand.
2. A subsequent November announcement provided details on timing, stating that the joint venture was pursuing “an accelerated path to production, with a target for commencement of construction in early 2017 and stage one production in 2019”. I've confirmed with management that, if all goes to plan, full production of 50k tpa should be reached by the end of 2021.
3. The biggest knock against the LAC story is that the company must produce approximately US\$250m within the upcoming year to fund their share of stage one initial capex. The worry was that, due to this near-term cash call, the company would be strong armed by SQM and either (a) lose its stake in the Cauchari-Olaroz JV or (b) face massive equity dilution.

In mid-January, the company negated these concerns by signing back-to-back financing agreements (with Genfeng Lithium and Bangchak Petroleum, respectively) for a grand total of US\$286m. Only 29% of this total raise was equity, an impressive feat that minimizes dilution for LAC shareholders. The two entities also agreed to purchase up to 85% of LAC's share of stage one production at market prices. This was a massive win for the company, and frankly I'm surprised there wasn't a larger share price increase in the weeks following the news.

What is the fair value of Lithium Americas' share of the JV? At full 50k tpa production and a US\$10,000 lithium price, the company is set to generate roughly C\$210m in EBITDA by 2022. Using a conservative 8x multiple, this results in a C\$1.7b valuation for Lithium Americas' share of the JV when full production is reached.

Of course, full production is still five years away and this forward valuation must be discounted accordingly. Generally I'll use a 50% discount for companies that have begun construction but aren't yet in production. While LAC is now in a position to fund the Cauchari-Olaroz's initial capex, construction at the project won't begin for another 4-5 months - so let's increase this discount to 60% out of conservatism.

Applying this discount results in a fair value of ~C\$680m for LAC's share of the project. This compares to a fully diluted market cap of ~C\$460m. In other words, the LAC share price would have to rise roughly 50% (to C\$1.50) before the company is fairly valued for its stake in the Cauchari-Olaroz JV.

Remember that any value creation from Lithium Americas' other operations provides free upside. To conclude, I've included the company's expected milestones over the coming months and years:

SQM releases Feasibility Study @ Cauchari-Olaroz JV **by end February 2017**

First revenue from TOLSA strategic partnership **by end Q1 2017**

Construction of stage one commences @ Cauchari-Olaroz JV **by end Q2 2017**

RheoMienrals becomes cash flow positive **by end 2017**

PEA released @ Lithium Nevada Project **by end 2017**

First production @ Delmon Plant in Saudi Arabia **by end Q1 2018**

Production rate of 25k tpa @ Cauchari-Olaroz JV **by end 2019**

Production rate of 50k tpa @ Cauchari-Olaroz JV **by end 2021**

You'll note that a feasibility study is expected from SQM within the next few weeks. The study will confirm Cauchari-Olaroz's exceptional economics and there should be no negative surprises. This gives investors a small window to consolidate shares between C\$1-1.10. I expect another significant share price move upon release of the feasibility study.

Phoscan Chemical Corp (TSX: FOS) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **July 2013**

Partnership Average Cost per Share: **C\$0.29**

Exit Price: **C\$0.32**

South Boulder Mines (ASX: STB) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **July 2012**

Partnership Average Cost per Share: **AU\$0.48**

Exit Price: **AU\$0.28**

Northern Graphite (TSXV: NGC) – NO LONGER A PARTNERSHIP HOLDING

Featured In: **January 2012**

Partnership Average Cost per Share: **C\$0.97**

Exit Price: **C\$0.80**