To:	MJG Capital Limited Partners
From:	Matt Geiger
Date:	July 8, 2024
Subject:	MJG Partnership Letter – July 2024

Below is set forth MJG Capital Fund, LP's performance through June 30, 2024.

<u>6 Month Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	14.35 %
S&P 500 (with dividends included)	15.29 %
S&P/TSX Venture Composite Index	3.06 %
<u>1 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	(10.23) %
S&P 500 (with dividends included)	24.56 %
S&P/TSX Venture Composite Index	(8.29) %
<u>3 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	(17.54) %
S&P 500 (with dividends included)	33.15 %
S&P/TSX Venture Composite Index	(40.69) %
<u>5 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	124.67 %
S&P 500 (with dividends included)	101.53 %
S&P/TSX Venture Composite Index	(2.67) %
<u>10 Year Performance</u>	
MJG Capital Fund, LP (net of all fees and expenses)	163.15 %
S&P 500 (with dividends included)	235.21 %
S&P/TSX Venture Composite Index	(44.58) %
<u>Performance Since Inception (9/1/11)</u>	
MJG Capital Fund, LP (net of all fees and expenses)	0.89 %
S&P 500 (with dividends included)	473.35 %
S&P/TSX Venture Composite Index	(68.53) %

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.

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Introduction

The MJG partnership was formed roughly thirteen years ago, with returns detailed on the previous page. The S&P 500 represents the alternative investment of choice, while the TSX Venture is the closest proxy to the universe of resource equities that fits the MJG investment mandate.

The MJG partnership returned 14.35% net of fees and expenses in the first half of 2024, significantly outperforming our TSX Venture benchmark (+3.06%) and largely keeping pace with the broader U.S. stock market. The partnership benefited from its concentrated and highly selective investment approach, with four specific positions -- each of which are up by over 50% YTD -- driving the bulk of the outperformance for the period. This was not a case of “a rising tide lifting all boats” but rather a vindication of individual security selection over a basket approach, given the insipid performance of the junior mining market more generally over this same period.

While promising price breakouts have occurred in bellwether metals gold (+16% YTD) and copper (+20% YTD), mining equities at large have yet to show leverage to these moves, and in many cases are failing to keep pace entirely. The TSX Venture (a proxy, albeit imperfect, for junior mining equities), the GDX (an ETF of the major precious metal miners), the GDXJ (an ETF of sub $10 billion precious metal miners), and XBM (an ETF of the major base metal miners) have each struggled to match the price increases seen in these underlying metals.

This is coupled with a U.S. stock market – fueled primarily by large cap tech and the associated fervor surrounding AI – that continues to march higher, with both the S&P 500 and Dow Jones achieving all-time highs in recent weeks. As illustrated in the below chart from BofA, commodities remain out of favor and unloved, particularly relative to tech, to an extent last seen at the peak of the dot-com bubble.

The silver lining, recognizing that this may be cold comfort to mining-focused investors who have missed out on this tech boom, is that a monstrous decade-long commodities bull market followed the last time the relative valuations of tech and commodities were this out of step. While lost on most in Silicon Valley, the mining and tech industries are in the long-run inextricably linked at the hip – with AI data centers, consumer technology, electric vehicles, national defense applications, and clean tech utterly and entirely reliant on dozens of metals pulled out of the ground from all regions of the world. Should history rhyme, significant metal price increases in the years ahead – and their impact on the cost and ultimately the adoption rates of these new technologies – will be a rude awakening to many.

Independent of the tech versus mining discussion, it is also worth emphasizing for the generalist investor that exposure to natural resource equities works wonders from a portfolio diversification perspective. As seen in the below data courtesy of GMO, energy/metal equities are decidedly unique in that they exhibit zero correlation to other major sectors of the U.S. economy when held for a five-year period and a markedly negative correlation when held for at least ten years.

EXHIBIT 1: CORRELATIONS BETWEEN SECTORS AND THE REST OF THE TOP 1,000 U.S. COMPANIES: 1970-2023

As of 12/31/2023 | Source: MSCI, CRSP, GMO

This distinctive attribute would presumably be highly sought-after by sophisticated investors looking to build resilient, well-diversified portfolios. Curiously, this is far from the case at present. UBS, in its 2024 Global Family Office Report, recently surveyed 320 family offices with an average net worth of $2.6 billion to learn how they are allocated by asset class. According to the survey, the average family office currently has less than 2% combined exposure to "commodities" and "gold/precious metals". Conceding that the asset allocation decisions of large family offices aren't necessarily indicative of those of broader market participants, the point stands that this is far from a crowded trade. This should be music to the ears of any contrarian-minded investor who already has significant exposure to natural resource equities, as well as to those considering such an allocation.

With all of this said, it must be repeated that this niche of the market is famously volatile, even when within a secular bull market. While natural resource investors – both those that are MJG limited partners and otherwise – remain exceptionally well positioned for the coming years, those unduly affected by the seeming swings in fortune risk being shaken out at the most inopportune of times. To repeat what was written the January 2024 MJG partnership letter, "*success will only come to those with the means and temperament to place their bets and give them time to mature, without hanging on every dip, dive, and dodge along the way".*

This letter's *Market Musings* section departs from our typical mining-focused topic to the world of carbon credits, discussing the implications of a potential second Trump term on carbon credit markets.

In the *Overview of Partnership Holdings*, the MJG portfolio construction is reviewed by commodity, jurisdiction, and business model. As of June 30th, the MJG partnership held eighteen publicly traded positions and three private investments.

This letter's *Featured Investment* is Ridgeline Minerals (TSXV: RDG). Updates on the following MJG partnership holdings featured in previous letters are also included: Altius Minerals (TSX: ALS), Kenorland Minerals (TSXV: KLD), Bravo Mining (TSXV: BRVO), Star Royalties (TSXV: STRR), Elemental Altus (TSXV: ELE), Strategic Resources (TSXV: SR), Lara Exploration (TSXV: LRA), and Sama Resources (TSXV: SME).

Market Musings

Trump 2.0: How A Second Term Would Impact Carbon Credit Markets

We depart from the more typical mining-focused discussion to the world of carbon credits, and more specifically the potential effects of a second Donald Trump term on carbon credit markets. This is something that we've been asked on numerous occasions over the past six months (often in the context of the MJG partnership's position in Star Royalties, a carbon credit royalty and streaming business) as Trump's status as the Republican nominee became more and more assured. As the presidential polls have widened in Trump's favor in recent weeks, this question has become only more topical.

Trump's Impact on Climate Policy More Generally

Before touching specifically on carbon credits, it should be emphasized that a second Trump term would have an immense impact on United States – and as a result, global – climate policy more generally. Tangible changes to climate and energy policy in a Trump presidency would almost assuredly include:

- The reversal of Biden-era EPA regulations on existing coal-fired power plants, as well as a green light on the construction of new ones.

- A rollback of Biden-era limits on pollution from automobile tailpipes designed to encourage purchases of hybrid and all-electric vehicles. ("That's going to be the first order of business, to unwind all that" in the words of Trump advisor Michael McKenna.)

- The dismantling of much of Biden's Inflation Reduction Act (IRA), with a particular focus on the $370 billion in tax credits earmarked for the next ten years meant to shift the United States to cleaner forms of energy. Tax credits to encourage growth in wind and solar, as well as incentives for consumers to install heat pumps and make their homes otherwise more efficient, are especially at risk.

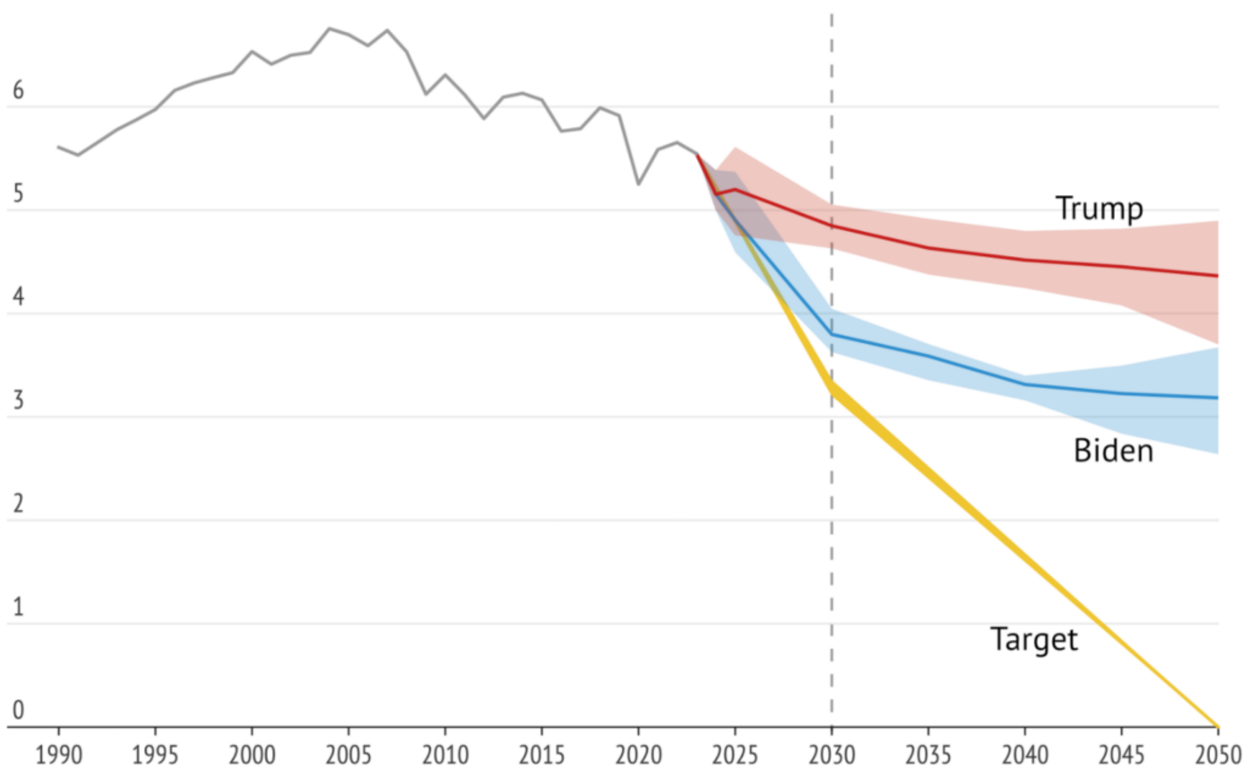
- In the words of Trump, "unleash domestic energy production like never before" by lifting a Biden-era pause on the construction of new LNG terminals, expanding the size and scope of drilling auctions on federal land, selling federal land to oil and gas-friendly states, reviving drilling at the Arctic National Wildlife Refuge, and scrapping a Biden-era fee of $900-1500 per ton of methane, among many examples.

- The withdrawal of the United States from the Paris Agreement, marking the second time Trump will have taken this action.

The collective impact of these actions is estimated by UK-based Carbon Brief to be an additional four billion tonnes of carbon dioxide equivalent over a four-year period, equal to the combined annual total of the world's 140 lowest emitting countries or, put differently, "negating – twice over – all of the [carbon] savings from deploying wind, solar and other clean technologies around the world over the past five years". While this figure may ultimately prove to be somewhat overstated should Democrats win the House and/or retain control of the Senate in a hypothetical Trump electoral victory, this will serve as cold comfort to those concerned about climate change as well as the industries that have benefited financially from the passing of the IRA.

A Trump election win could add 4bn tonnes to US emissions by 2030

Greenhouse gas emissions, billion tonnes of CO2e



Source: Carbon Brief analysis of Bistline et al (2023) and Rhodium Group (2023)

Trump proponents, meanwhile, will argue that the above policies will lead to increased economic growth, apply downward pressure on inflation, and/or beat back an overreaching federal government. Regardless of where one sits on the political spectrum, it's clear that the difference between a Trump and a Biden presidency is vast as it pertains to climate and energy policy more broadly.

Trump's Impact on Carbon Credit Markets

Given the above considerations, one might surmise that carbon credit markets would be roiled by a second Trump term in office. Somewhat counterintuitively, this is largely not the case. This can best be demonstrated by drawing a distinction between the compliance and voluntary carbon markets and looking at Trump's potential impact (or non-impact) on each.

Compliance Carbon Markets

Compliance carbon markets are created as a result of provincial, national, regional, or international regulatory requirements. These markets, most often in the form of cap-and-trade schemes, mandate for large energy emitters (think steel producers, utilities, airlines, and oil refiners) to reduce GHG emissions or face an economic consequence for not doing so. The total value of compliance markets worldwide was just below $1 trillion dollars as of 2023.

The United States does not currently have a federal compliance market and will certainly remain without one in the case of a second Trump term. However, given narrow margins in the Senate coupled with the sixty-vote filibuster, a federal compliance market is not remotely viable in a second Biden term either. (The same holds for a fellow Democrat in the hypothetical that Biden is replaced on the ticket.) The fact that the United States will not have a federal compliance market enacted for the foreseeable future is already a foregone conclusion, irrespective of who wins office.

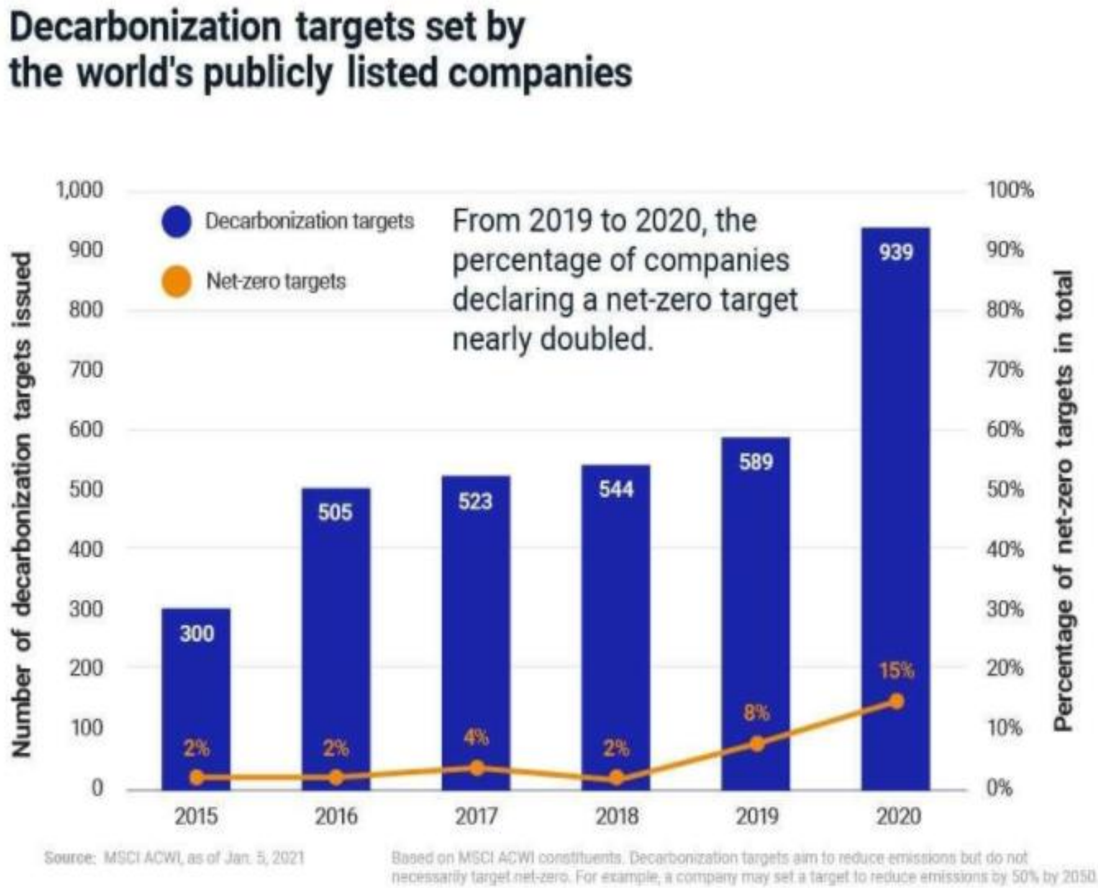
There are, however, four compliance markets currently active in the United States. Two of these, the state of California's Cap-and-Trade Program and the state of Washington's Cap-and-Invest Program, are state-level programs. One of these, the Regional Greenhouse Gas Initiative (RGGI) for the power sector in the Northeast United States, is regional. The fourth, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), is an international program that applies to US airlines when operating international flights.

While each of these four compliance markets are distinct, they share the characteristic of not being a federal program. Whether or not Trump and his advisors approve of these programs, they will exist as long as the state of California, the state of Washington, the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont (in the case of RGGI), and the United Nations' International Civil Aviation Organization deem them worthy to remain in place. In sum, a second Trump term would have no impact on compliance markets whatsoever, with each of the four compliance markets currently active in the United States beyond his reach.

Voluntary Carbon Markets

Voluntary markets enable companies, non-profits, educational institutions, and individuals to purchase carbon credits on a voluntary basis with no intended use for compliance purposes. The voluntary markets, while tiny in scale relative to compliance markets, are growing exceptionally quickly – with Morgan Stanley projecting that voluntary markets will grow from roughly $2.5 billion in value in 2023 to $100 billion by 2030 and $250 billion by 2050.

Almost by definition, there is little correlation between who sits in the Oval Office and voluntary carbon credit demand. One just needs to examine the behavior of corporations, which account for over 90% of voluntary offset transactions, over the course of Trump's first term in office.



As illustrated in the above graphic, Trump's ambivalence to the climate – and by extension carbon credits – did not stop the number of decarbonization pledges from the world's publicly listed companies from increasing each successive year of his first term (2017-2020), nor did it stop the percentage of companies with stated net zero targets from nearly quadrupling over the same period. Given that the numbers have only increased in the subsequent years (more than one-third of the world's two thousand largest companies now have net zero targets according to Net Zero Tracker), there is no reason to believe that a second Trump term will be any different in this regard.

Furthermore, decarbonization expenditures – and, by default, carbon offset purchases – historically have shown a strong correlation to broader economic conditions as well to stock market performance. Conventional wisdom holds that a second Trump term would usher in a period of increased economic growth and improved stock market performance (though there is compelling evidence to the contrary, particularly if Trump's proposed across-the-board tariffs plan, even in a watered-down form, is put into effect). But taking this conventional wisdom at face value, one could argue that the increased profitability and increased discretionary spending afforded to corporations under a second Trump term would actually serve as a boon for voluntary carbon credit purchases. Not to mention that, if the Carbon Brief data shared above proves accurate, there will be an additional 4 billion tonnes of CO_2e emissions over the next four years needing to be offset.

Trump's Potential Impact on SEC Policy

There is one avenue for Trump to inflict some damage on the voluntary carbon market story – via the policy of the U.S. Securities and Exchange Commission. Gary Gensler, the current chair of the SEC, adopted a rule in March 2024 requiring large US-listed companies to disclose their levels of greenhouse gas emissions. The largest companies are required to make climate disclosures as early as fiscal 2025, with specifics on greenhouse gas emissions as soon as fiscal 2026. The second order impact of this heightened climate scrutiny from the SEC is almost certain to be an increase in the purchase of voluntary carbon offsets by US-listed corporations.

Should Trump win in November, however, his pick for SEC chair would undoubtedly remove these disclosure requirements – likely on day one of the job. At least for the next four years, this would negatively impact the growth prospects of voluntary carbon credit demand from US-listed corporations. (US-listed corporations comprise a substantial percentage of global equity markets, at roughly 45% of the global total according to the World Federation of Exchanges.)

It should be noted that the SEC rules are currently proposed and not yet in effect. Therefore, Trump wouldn't be rolling anything back but rather putting on pause a potential accelerant to voluntary carbon credit demand. Companies already committed to climate policies using carbon credits will continue their efforts, but those hesitant due to ideological differences or regulatory uncertainty might delay their actions longer than if the SEC's climate disclosure policy were implemented as planned.

Conclusion

In summary, a second Trump term would bring significant changes to U.S. climate policy, with global ramifications. His administration would reverse many of Biden's climate initiatives, including regulations on power plants, automobile emissions, and the incentives provided by the Inflation Reduction Act. Such moves would spur the domestic production of fossil fuels, while markedly increasing carbon emissions in the U.S. from their current trajectory.

However, Trump's impact on carbon credit markets wouldn't be nearly as significant as many believe. State-level and regional compliance programs, such as California's Cap-and-Trade Program and the Regional Greenhouse Gas Initiative, exist independently of federal control and would continue to operate unscathed. Meanwhile, the lack of a federal compliance market in the U.S. is the status quo and highly unlikely to change irrespective of the election outcome.

The smaller but rapidly growing voluntary markets will continue their ascent in a hypothetical second Trump term. However, a Trump appointed SEC chair reversing the recently adopted climate disclosure policy for US-listed companies would slow the growth rate somewhat relative to Gensler's rule going into effect in a second Biden term. With this said, those that are expecting – and in some cases rooting – for a second Trump term to derail the carbon credit thematic are overstating the role of the U.S. federal government's involvement in this growing market.

Overview of Partnership Holdings

The MJG partnership has exposure to varied commodities, jurisdictions, and business models. As of June 30th, the partnership held eighteen publicly traded investments, three private positions (with two of these acquired via direct investments and one via a spin-off), two sets of in-the-money warrants, and seven sets of out-of-the-money warrants (each valued at $0 for portfolio valuation purposes).

After an aggressive period of capital deployment late last year which saw the MJG partnership go from a double-digit cash position to nearly fully deployed, we've had a relative tame first half of 2024 in terms of investment activity. Over the past six months, two new names (both copper-focused) were added to the portfolio through private placements while three positions were liquidated. We also participated in a private placement conducted by an existing holding and added shares on the open market to a handful of other existing positions.

Ultimately the MJG investment philosophy has very little to do with commodity price speculation, and everything to do with management expertise and incentivization, asset quality, company structure, upcoming catalysts, and price-to-value metrics. In essence, bottom-up investing based on company-specific fundamentals and the alignment/competence of the people involved.

With that said, we continue to monitor our exposure to specific commodities, jurisdictions, and business models to manage risk within the MJG portfolio. Two notes on this front. The first is that, over the past six months, our weighting towards copper-focused investments has increased significantly to 36% of the portfolio. This marks our highest exposure to copper in the MJG partnership's thirteen years since inception. While this clearly indicates a positive bias towards copper over the coming years, it should be emphasized that each of these investments present the opportunity for share price appreciation (either through the drill bit, permitting success, and/or M&A activity) even were the copper price to remain flat at current levels in perpetuity.

Second, the partnership's exposure to Brazil remains significantly elevated at 27% of the portfolio, just below our high-water mark for Brazil exposure of roughly 30% in mid 2023. This comes entirely through high-conviction positions Bravo Mining and Lara Exploration, both *Featured Investments* in previous MJG partnership letters (with updates provided on each towards the end of this letter). Given the already elevated exposure to Brazil – and more specifically, the country's prolific Carajás Mineral Province – we have no intention of initiating additional Brazil-focused positions for the foreseeable future for risk management purposes.

Included below is a snapshot of the MJG partnership investments as of June 30, 2024.

Allocation by Commodity	
Precious Metals	
PGMs	19%
Gold	10%
Silver	7%
Energy Metals	
Copper	36%
Nickel	3%
Rare Earths	2%
Vanadium	2%
Uranium	1%
Ag Minerals	
Phosphate	8%
Potash	5%
Carbon Credits	
Regenerative Agriculture	6%
Cash & Cash Equivalents	1%

Allocation by Jurisdiction	
Canada	28%
Brazil	27%
United States	24%
Peru	6%
Chile	4%
Côte d'Ivoire	3%
Egypt	2%
Estonia	2%
Serbia	2%
Namibia	1%
Cash & Cash Equivalents	1%

Allocation by Business Model	
Prospect Generation	31%
Exploration	16%
Development	35%
Production	2%
Royalty/Streaming	15%
Cash & Cash Equivalents	1%

Featured Investment

Ridgeline Minerals (TSXV: RDG)

The MJG partnership first initiated its position in Ridgeline Minerals in a September 2022 private placement priced at C$0.20. The partnership followed on with its investment in two subsequent financings in April 2023 at C$0.20 and May 2024 at C$0.12, as well as a series of purchases on the open market. The MJG cost basis sits at C$0.16, just above the current Ridgeline share price of C$0.15 as of July 5, 2024.

Ridgeline is best classified as a hybrid prospect generator operating exclusively in Northern Nevada. The company has demonstrated the ability to secure highly prospective projects via staking or acquisition within world-class mineral trends, as well as the ability to attract name brand partners for the projects that Ridgeline does not have the bandwidth to push forward on a 100% basis. This is illustrated by the company's two-project partnership with Nevada Gold Mines (NGM), the Nevada-focused joint venture between gold mining heavyweights Barrick Gold and Newmont, at Ridgeline's Swift and Black Ridge projects totaling US$40M in expenditures should NGM complete its earn-in at both assets.

Ridgeline, despite engaging in smart geological work and dealmaking since its founding in 2018, has yet to make the game changing discovery that management and its backers seek. An investment in Ridgeline at this juncture is a wager that the company's dogged efforts will be rewarded with such a discovery, either in collaboration with Nevada Gold Mines or at one of the company's 100%-owned projects. While the odds of success in grassroots mineral exploration are slim, the combination of (a) an aligned and highly skilled management team, (b) a deep –and growing – portfolio of Nevada-based projects, (c) the validation and resources afforded by the multi-asset partnership with Nevada Gold Mines, and (d) the currently depressed valuation make for an intriguing speculation for the right type of investor.

This *Featured Investment* begins with an overview of Ridgeline's corporate history, the background of key players, insider incentivization, financing history, share structure, and balance sheet.

Ridgeline's project portfolio is then covered in further detail, followed by a discussion of the company's valuation relative to its prospect generation peers.

This *Featured Investment* concludes with the potential share price catalysts anticipated over the coming eighteen months, along with some parting thoughts on the value proposition presented to Ridgeline shareholders.

Company Background

Ridgeline Minerals was founded in 2018 by Chad Peters and Steve Neilsen, the former an exploration geologist with extensive experience in Nevada and the latter a longtime owner/operator of a Nevada-based drilling company. Prior to his CEO role at Ridgeline, Chad Peters was a managing member of the Premier Gold Mines Ltd. exploration team responsible for the discovery of over 10 million ounces of gold between Nevada and Canada. As Premier Gold's Nevada Exploration Manager, Chad was directly responsible for the execution of multiple exploration projects and joint venture initiatives with the likes of Barrick, Newmont, and Kinross Gold. Notably he led the technical team that reinterpreted the McCoy-Cove structural model, leading to the CSD Gap Discovery in 2015 – now a multi-million-ounce deposit that is considered one of the highest-grade undeveloped Carlin-Type deposits in Nevada. With this prior experience, Chad is preeminently qualified for the task at hand with Ridgeline.

Other key members of management include VP Exploration Mike Harp and CFO Duane Lo, both of whom joined Ridgeline shortly after the company's formation. Mike previously was a senior member of the Gold Standard Ventures exploration team responsible for the discovery of over five million ounces in Nevada's Railroad-Pinion District, including the high-grade North Dark Star, West Dark Star, Dixie, and Jasperoid Wash deposits. This experience informs Mike's expertise in the structural and geochemical controls associated with Carlin-Type and epithermal deposits in Nevada.

Duane brings fifteen years of experience in the financing, management, and administration of mining operations in Brazil, Africa, Mongolia, and the United States. He was previously CFO of Mason Resources (acquired by Hudbay in 2018), as well as CFO of Luna Gold and Corporate Controller for First Quantum. In addition to his role at Ridgeline, Duane serves as the CFO of Entrée Resources – a C$300 million company that owns a carried joint venture interest at Oyu Tolgoi, one of the world's largest copper mines.

It's also worth noting the involvement of Lewis Teal and Mac Jackson, as an independent director and a technical advisor, respectively. These are two of the most highly esteemed Nevada geologists still active in the field today, with both responsible for the discovery of over twenty million ounces of gold. (As Newmont's Group Executive, South American Exploration, Mr. Teal oversaw all exploration and development at the world-class Yanacocha deposit in Peru, with this knowledge base now being applied to Ridgeline's portfolio of copper porphyry projects such as Big Blue.) Their willingness to associate with Ridgeline provides both validation of the quality of the geological work being conducted as well as valuable technical oversight.

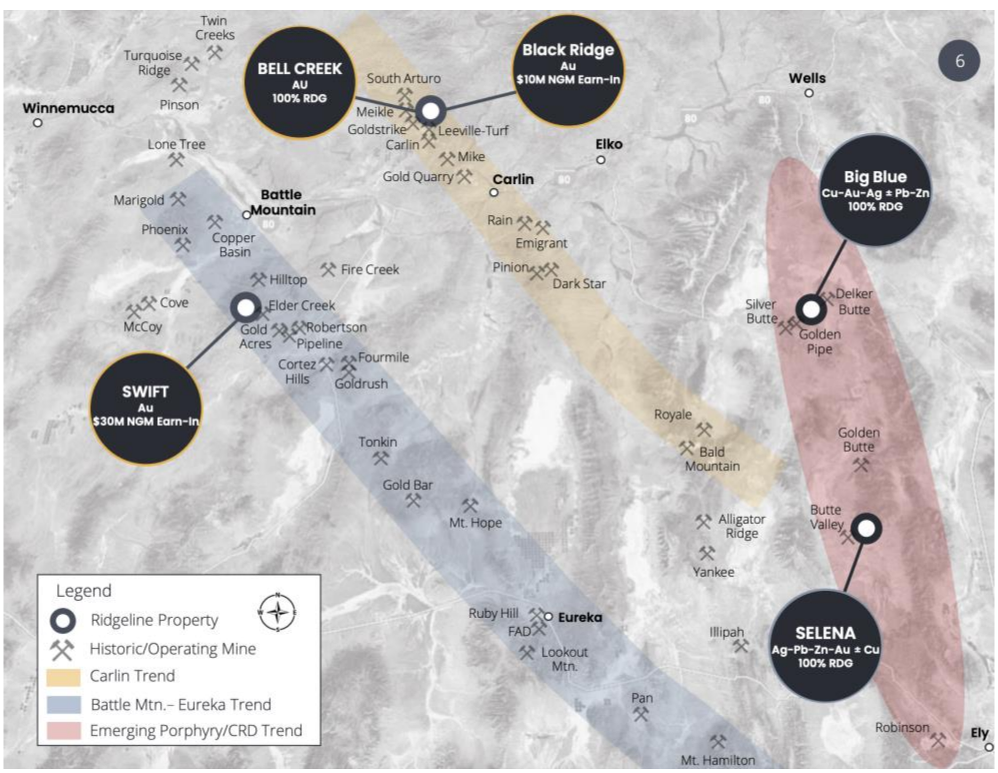
In terms of the cap table, Ridgeline's board and management team are well incentivized at roughly 8% ownership in the company. (Importantly, the cost bases of the key players mentioned above are significantly higher than the current RDG share price.) There are three significant RDG shareholders – Paul Stephens, Rick Rule, and Darin Milmeister's Extract Capital – that the MJG partnership commonly invests alongside. Very few sub-C$20 million junior explorers can credibly claim to have a collection of backers of this quality.

Ridgeline sits at a 142.8 million shares on a fully diluted basis. There is a non-negligible overhang of 26.9 million warrants, though 17.7 million of these are priced at C$0.30 – a 100% premium to the current RDG share price – and expiring within the next twelve months. (The remaining 9.2 million warrants were issued in the company's most recent financing in May 2024, priced at C$0.18 and expiring in May 2026.) An additional C$7 million would be added to the company's till in the hypothetical that all warrants were exercised before expiry.

Ridgeline's cash position currently sits at approximately C$2.0 million, affording just over one year of runway were the company to hunker down at its roughly C$150,000 per month "keep the lights on" burn rate. This of course won't be the case, both because (a) management isn't foolish enough to run its cash reserves down to nil and (b) the company would like to drill at least one of its 100%-owned properties within the next twelve months. Realistically, the next financing can be expected in H1 2025. As will be discussed later, there are multiple upcoming catalysts in the calendar that could serve to re-rate the share price ahead of the next financing.

Overview of Project Portfolio

Ridgeline provides shareholders exposure to three 100%-owned projects, as well as two projects in partnership with Nevada Gold Mines (NGM). In this section, we will focus on Selena and Big Blue – the company's two most significant 100%-owned assets. We'll then switch focus to Swift and Black Ridge, both subject to earn-in agreements with NGM. (I'm fortunate to have visited each of these four projects in person, between two site visits conducted in June 2021 and August 2022.)



Source: Ridgeline Minerals Presentation. May 8, 2024.

Selena Project

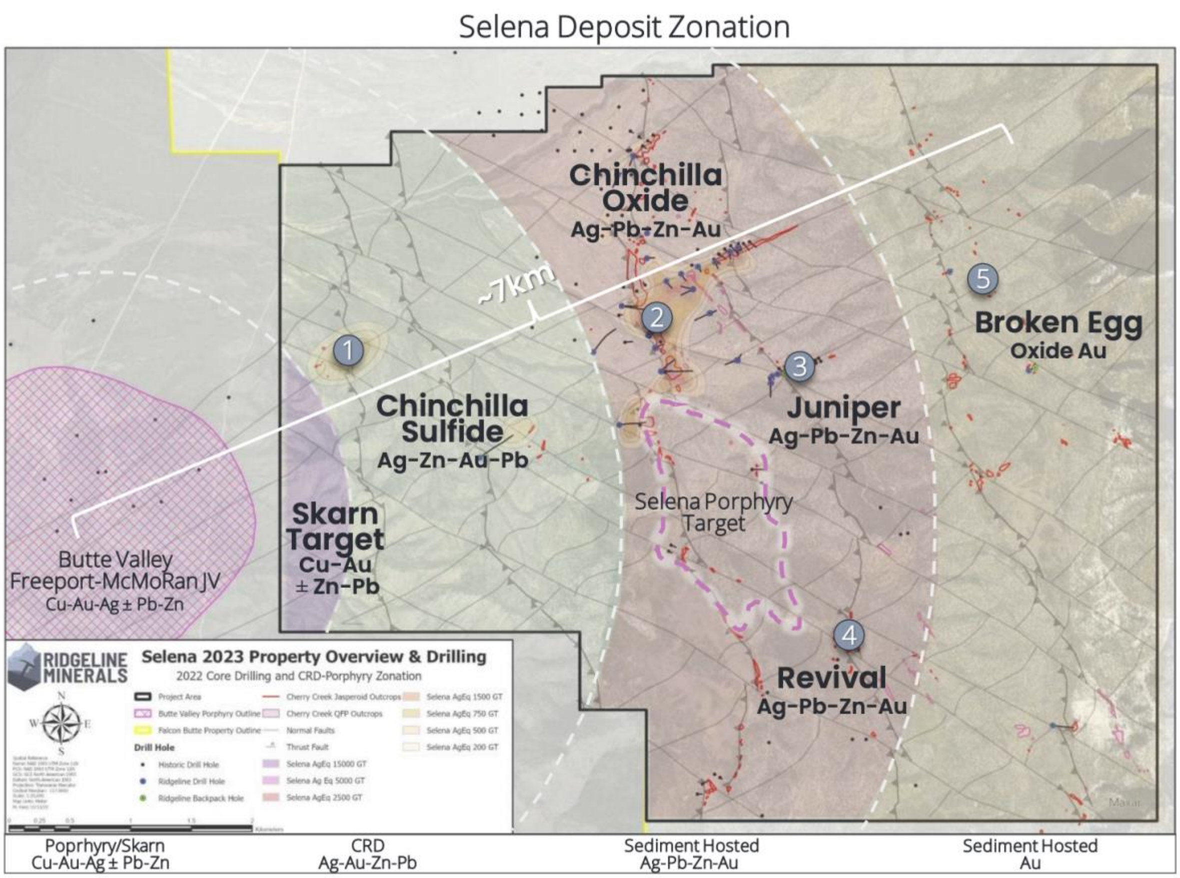
Ridgeline's flagship asset is the Selena Project in White Pine County, Nevada. The project is located within the historic Limousine Butte district in the south Carlin-Trend, with the claim block comprised of 467 contiguous federal lode claims totaling 39 square kilometers. Historic and currently producing mines in the area include Bald Mountain, Alligator Ridge, Yankee, Illipah, and Golden Butte. Notably, copper giant Freeport–McMoRan is earning into the Butte Valley Cu-Au porphyry project immediately adjacent to Selena in a US$33 million agreement signed in October 2022, while NevGold's Limousine Butte shares a project boundary with Selena to the north.

Source: Ridgeline Minerals Presentation. May 8, 2024.

Selena was originally acquired from EMX Royalty in a 2019 transaction and is now 100%-owned by Ridgeline (subject to a 3.25% NSR held by EMX). In the period since, Ridgeline has conducted trenching, surface sampling, and roughly 10,000 meters of drilling, defining a mineralized footprint that outcrops at surface and extends 3.7 kilometers to the E-W and over 2.5 kilometers to the N-S with mineralization open in multiple directions.

Selena is unique in that it hosts at least three (CRD, oxide Ag-Pb-Zn-Au, oxide Au) and potentially up to five (porphyry and skarn) different styles of mineralization. Ridgeline's initial efforts focused primarily on sediment hosted oxide Ag-Pb-Zn-Au mineralization at the Chinchilla Oxide, Juniper, and Revival targets in the hopes of defining a bulk-tonnage Ag-Au opportunity. The most significant intercepts to date at these targets include 7.7 meters at 725 g/t Ag, 2.2% Pb-Zn, 1.5 g/t Au at Juniper and 6.1 meters at 480 g/t Ag, 18.4% Pb-Zn, 0.1 g/t Au within 32.5m at 153 g/t Ag, 4.1% Pb-Zn, 0.1 g/t Au at Chinchilla Oxide. Despite the splashy grades, it has yet to be demonstrated that there is sufficient tonnage at the oxide Ag-Pb-Zn-Au targets to support a standalone operation.

As such, Ridgeline shifted its focus in mid 2022 to what could potentially be a bigger prize – the CRD target (labeled Chinchilla Sulphide in the below graphic) thought to be emanating from the Butte Valley intrusive further to the west. The company had good reason to make this shift in focus, as the Chinchilla Sulfide target checks at least ten of the thirteen boxes included in the "CRD Checklist" compiled by famed CRD specialist Peter Megaw. Ridgeline has since drilled two wide spaced holes targeting the Chinchilla Sulfide CRD mineralization, with the best intercepts to date including 3 meters at 605 g/t AgEq, 3 meters at 266 g/t AgEq, and 1.5 meters at 343 g/t AgEq. While the grades intercepted are promising and warrant significant additional work, the widths will have to improve by an order of magnitude before one can be reasonably excited about an economic discovery.



Source: Ridgeline Minerals Presentation. May 8, 2024.

The Selena story was potentially turned on its head earlier this year when, in a March 14th news release, the company announced that a high-resolution drone magnetics geophysical survey completed in late 2023 had identified a new porphyry target (labeled the Selena Porphyry Target in the above graphic) right in the middle of the project footprint. This magnetic anomaly, which has never been drill tested, measures approximately 2 kilometers by 1 kilometer across and is interpreted to have intruded to depths of roughly 600-650 meters. This is significant on two fronts. First, it opens the door to porphyry potential at Selena and presents a clear target to be tested in future drill programs. Second, it presents the Ridgeline technical team the opportunity to entirely rework its CRD targeting, as it is now possible that the CRD mineralization intercepted at the project to date is associated with this previously unrecognized intrusive rather than the Butte Valley porphyry further to the west.

Before this new porphyry target and/or newly refined CRD targets can be properly tested, Ridgeline is waiting for a Plan of Operations ("PoO") permit to be received from the BLM. This will be a significant project milestone in its own right, as it opens the entirety of the Selena project footprint to drilling. While Ridgeline hoped to have the PoO in hand already, it is now guiding for its receipt within the next 90 days.

Once the PoO is in hand, the company will have an important strategic decision to make. Ridgeline could either continue to push the project forward on a 100%-basis as it has done to date, or alternatively bring in a partner to fund further exploration. (Given Freeport's excitement regarding Butte Valley just to the west, it's not a stretch to assume that multiple, name brand groups are following progress at Selena closely.) Ridgeline CEO Chad Peters in recent interviews has stressed that, for the right terms, none of the company's 100%-owned assets are off the table when it comes to working with larger groups. We should know by the end of this year which direction Ridgeline chooses to go with Selena.

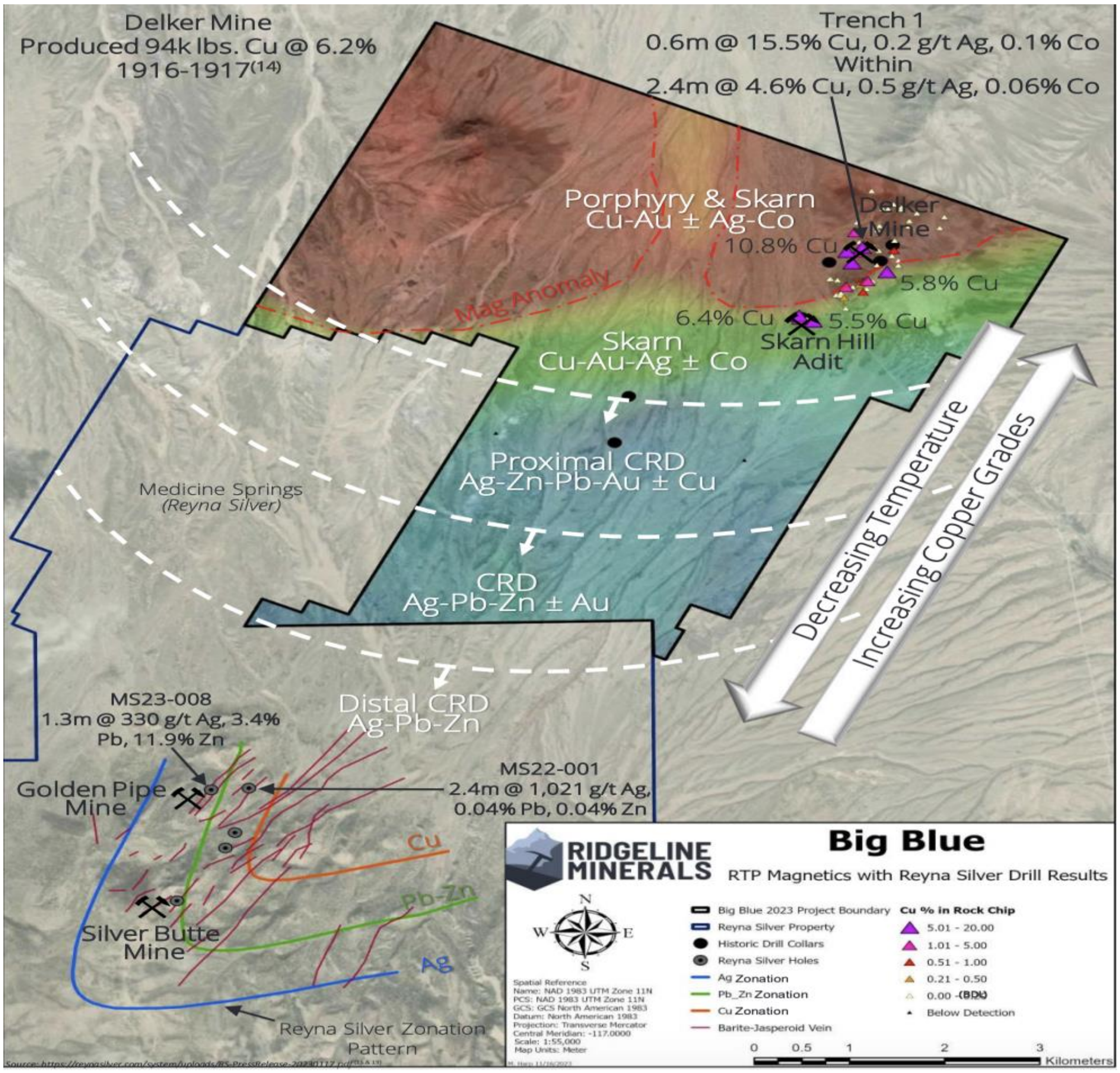
Big Blue Project

Ridgeline's second significant 100%-owned project is Big Blue in Elko County, Nevada. The project area includes the past producing Delker Mine, which produced 94,434 pounds of copper at an average grade of 6.2% Cu between 1916-1917. Big Blue shares its southern boundary with Medicine Springs, a CRD-style project owned by Peter Megaw-backed Reyna Silver.

Unlike Selena, Big Blue was staked directly by Ridgeline in early 2022 and, as such, is not encumbered by a royalty. Previous owners of Big Blue include Newmont, Kinross, Exxon Minerals, and Pegasus Minerals, though there have been only six drill holes totaling just under 1200 meters completed at the property in modern times. (The last drill campaign was funded by Newmont in the mid-2000's.) Since staking the project, Ridgeline has conducted detailed mapping, rock chip sampling, and trenching. Additionally, Ridgeline acquired historical IP, ground / airborne magnetic, and ground gravity data from a third party at no cost in Q2 2023.

As seen in the below graphic, Big Blue is prospective for three main styles of mineralization. The southern half of the project is prospective for CRD mineralization, which is what initially attracted

Ridgeline to stake the project. This has been validated by recent drilling from neighbor Reyna Silver, with the highlight results including 2.4 meters at 1,021 g/t Ag, 0.04% Pb, 0.04% Zn and 1.3 meters at 330 g/t Ag, 3.4% Pb, 11.9% Zn roughly two kilometers from the Big Blue project boundary – giving reason to believe that the same mineralized structures at Medicine Springs continue onto Ridgeline's ground. These are excellent grades from Reyna Silver, though the widths will have to improve by an order of magnitude before one can be reasonably excited about an economic discovery. According to a November 8th news release from Reyna Silver updating the market on progress at Medicine Springs, a follow-on drill campaign will be conducted at the project in 2H 2024.

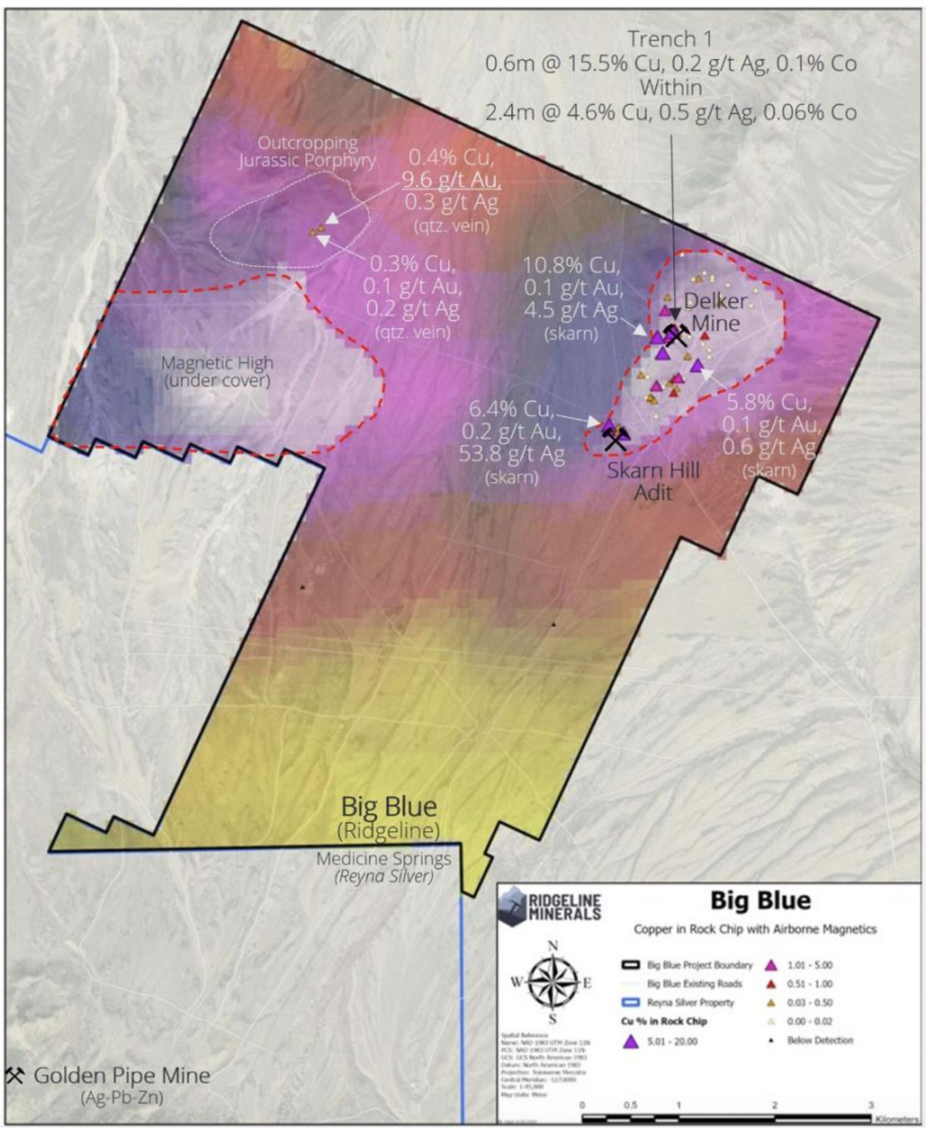


Source: Ridgeline Minerals Presentation. May 8, 2024.

The second style of mineralization on offer at Big Blue is high-grade copper skarn proximal to the historic Delker Mine. Rock chip highlights include 6.44% Cu, 0.16 g/t Au, 53.75 g/t Ag at the Skarn Hill adit, 4.88% Cu, 0.10 g/t Au at the historic Delker Mine, and 6.31% Cu, 0.09 g/t Au, 4.21 g/t Ag in the Delker test pit. A small trenching program conducted by Ridgeline at the Delker Mine in Q2 2023 yielded 0.6 meters at 15.5% Cu, 0.20 g/t Ag, 0.1% Co within 2.4 meters at 4.6% Cu, 0.5 g/t Ag, 0.06% Co. As mentioned, the Delker Mine produced just shy of 100,000 tonnes of copper grading 6.2% when operational in the early 20th century.

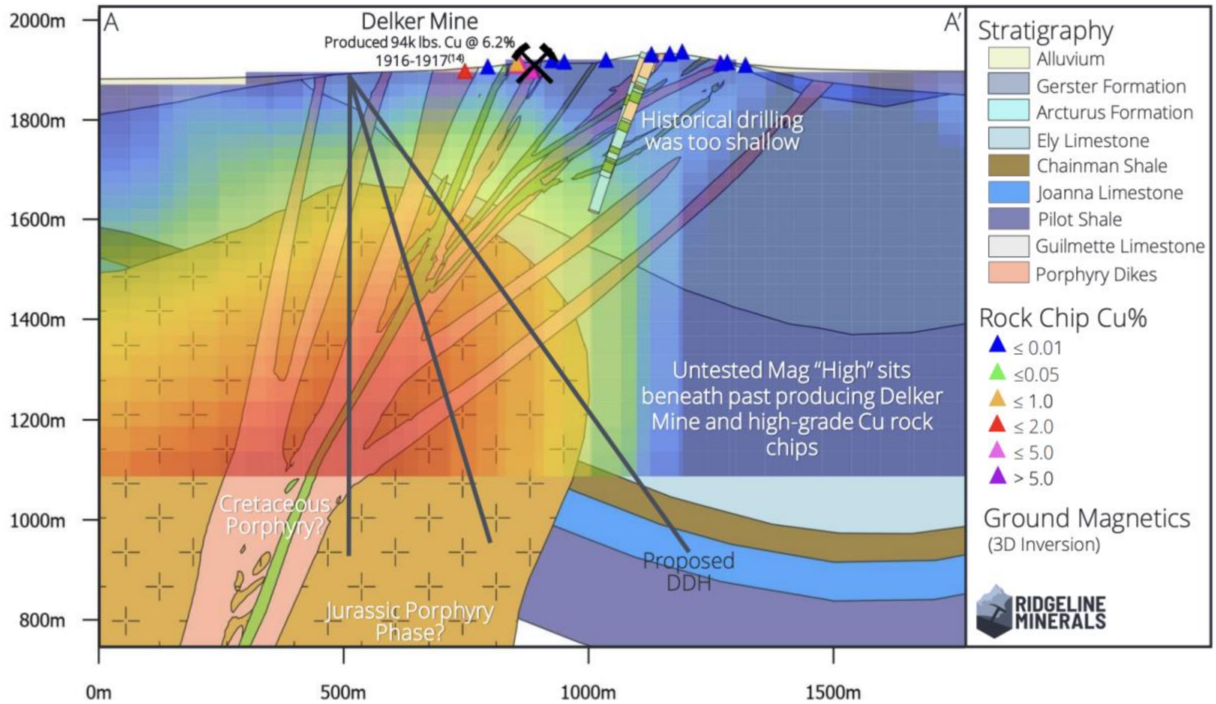
In terms of the skarn potential, the question really comes down to whether there is sufficient tonnage, as the grades exhibited are nothing short of superb. While skarn-style deposits aren't typically large enough on their own to be of interest to the world's major miners, a couple million tonnes at these grades could result in a tidy, highly profitable operation.

The grand prize at Big Blue, however, is the porphyry potential. Ridgeline's technical team surmises that a distinct Mag "High" anomaly located in the northwest corner of the property is a porphyritic intrusion serving as the source of both the skarn mineralization seen at the Delker Mine and Skarn Hill, as well as the CRD mineralization exhibited at Reyna Silver's Medicine Springs. In a June 27th news release, Ridgeline announced high-grade Cu-Au rock chips in this area with grades up to 9.6 g/t Au and 0.4% Cu, located adjacent to the magnetic high that is interpreted as the porphyry source (see image below).



Source: Ridgeline Minerals news release. June 27, 2024.

Additionally, there is a second magnetic high directly beneath the Delker Mine located 3km to the east. This target saw limited drilling conducted by Newmont and Exxon Minerals (as displayed in the below graphic) which does not appear to have gone deep enough to properly test this target. The Ridgeline team believes that a fan of three 800–1000-meter holes will be sufficient to test this thesis.



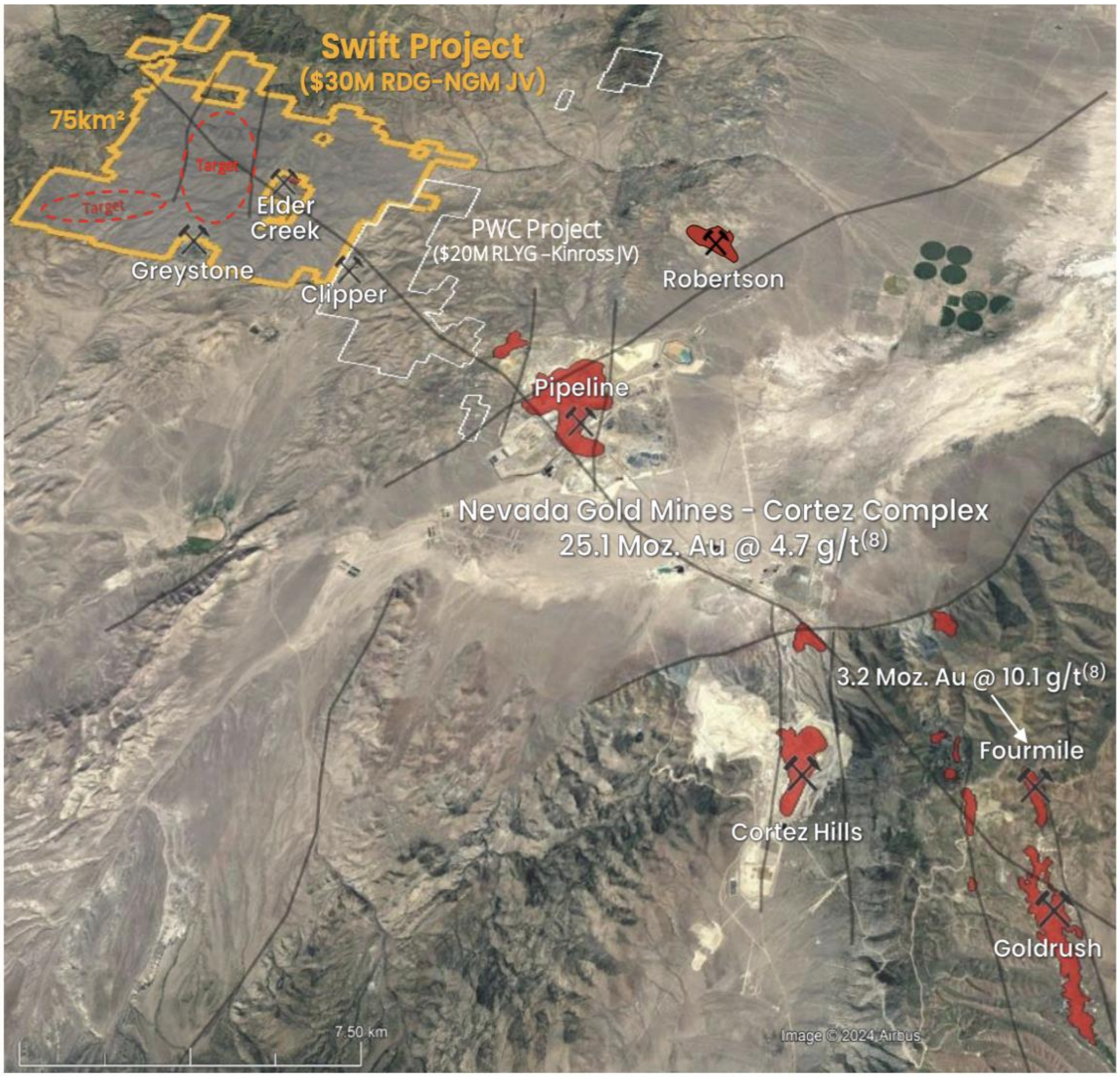
Source: Ridgeline Minerals Presentation. May 8, 2024.

As with Selena, Ridgeline has a decision to make on whether to conduct the first pass drill program (5-6 holes) at Big Blue on a 100% basis or to bring in a partner to take the project forward. Management appears dead set on testing Big Blue one way or another in 2025, indicating that Ridgeline is willing to go it alone with a 100%-funded drill program mid next year unless presented with an offer that can't be refused from a larger party in the meantime. Ridgeline investors should learn within the next six months which path the company chooses to take.

Swift Project

Swift is a 75 square kilometer project located on the world-class Cortez Trend, just 7 kilometers to the northwest of NGM's prolific Cortez Complex (25 million ounces of gold grading an average of 4.7 g/t). Ridgeline originally acquired the project in 2019 from EMX Royalty, which holds a 3.25% NSR covering the asset.

In September 2021, Ridgeline announced that it had partnered with Nevada Gold Mines (NGM) at Swift. The agreement stipulates that NGM has the right to earn a 60% interest at Swift by incurring US$20 million in qualifying work expenditures by September 2026. Assuming this initial earn-in option is achieved, NGM then has the one-time option to earn an additional 10% interest in the project by sole-funding another $10 million in qualifying work expenditures before December 31, 2029. Upon a hypothetical production decision, NGM has a one-time option to provide (or arrange via a third-party) debt financing for Ridgeline's portion of the capital required for development, in exchange for an additional 5% interest in the project for a total of 75% (or 65% if the second option is not exercised).



Source: Ridgeline Minerals Presentation. May 8, 2024.

This agreement with NGM was a coup for Ridgeline and its shareholders. First, the deal provides the validation, both for the Ridgeline team and the Swift Project itself, afforded by partnering with two of the world's largest gold miners. Second, with NGM having served as the operator at Swift since day one, Ridgeline benefits from the NGM technical expertise that comes from decades of exploring in the Cortez Trend while also freeing up the Ridgeline technical team to focus its efforts on the rest of the company's portfolio. Third, the exploration being undertaken at Swift is high-risk and expensive – with the typical drill hole nearing or exceeding 1,000 meters in depth. This type of exploration work is not well suited for a junior explorer with limited resources and a relatively high cost of capital.

To date, NGM has spent roughly US$7.5 million at Swift between two "framework" drill programs carried out in 2022 and 2023. The best results to date include 51.1 meters at 0.19 g/t Au, 1.14 g/t Ag from 667.5 meters depth, 37.2 meters at 0.29 g/t Au, 2.6 g/t Ag from 874.5 meters depth, and 48.8 meters at 0.45 g/t Au, 0.98 g/t Ag from 667.5 meters. While these are far from economic grades, NGM is clearly encouraged by the results to date and has just commenced a 4-5 hole Phase III program with a US$5 million budget.

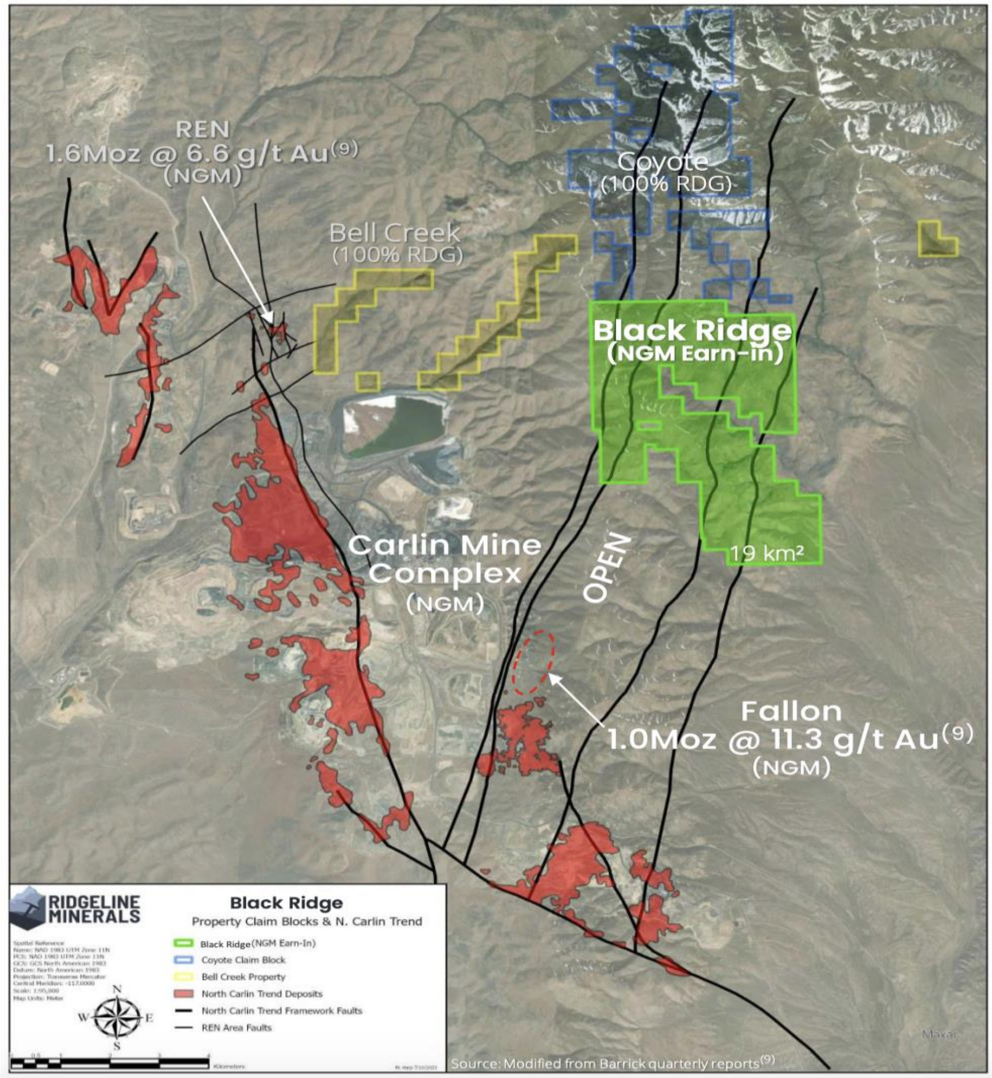
Deep Carlin-Type deposits, while difficult to find, can carry sensational grades. As a potentially relevant case study, NGM came up dry in its first ten "framework" holes at nearby Fourmile before the eleventh hole intercepted 5.8 meters at 49.7 g/t Au in 2015. From there, Fourmile has quickly grown into a 3.2-million-ounce deposit grading 10.1 g/t Au. While the odds are formidable, the earn-in agreement with NGM allows Ridgeline to participate in the potential for such an outcome without spending a dime from its own treasury. Were a Fourmile-like success to transpire at Swift, Ridgeline would see its market capitalization swell to north of C$100 million in short order.

Assays from the Phase III drill program are expected in late 2024 and extending into early 2025. While a significant discovery is clearly the optimal scenario for Ridgeline shareholders, NGM being encouraged enough with the results to proceed with a Phase IV program in 2025 would also be a positive development. It's also worth noting that in March 2024 Kinross Gold entered into a US$20 million earn-in agreement at Riley Gold's PWC Project immediately adjacent to Swift. In the case that NGM does not complete its required US$20 million spend requirement by September 2026, Ridgeline will get 100% of Swift back and can pursue a similar deal with one of NGM's competitors.

Black Ridge Project

Black Ridge is a 19.5 square kilometer project located on the world-class Carlin Trend, just to the east of NGM's Carlin Mine Complex (which hosts the Goldstrike, Leeville-Turf, Meikle-Rodeo, Ren-Banshee, and Genesis-Bluestar operations). Ridgeline originally acquired project in 2019 from EMX Royalty, which holds 3.25% NSR covering the asset.

Ridgeline announced in July 2023 its second earn-in agreement with NGM, this time at Black Ridge. The agreement stipulates that NGM has the right to earn a 60% interest at Black Ridge by incurring US$4.5 million in qualifying work expenditures by July 14, 2028 (including a US$1.5 million spend guarantee by December 31, 2025). Assuming this initial earn-in option is achieved, NGM then has the one-time option to earn an additional 10% interest in the project by sole-funding another $5 million in qualifying work expenditures before July 14, 2030. Upon a hypothetical production decision, NGM has a one-time option to provide (or arrange via a third-party) debt financing for Ridgeline's portion of the capital required for development, in exchange for an additional 5% interest in the project for a total of 75% (or 65% if the second option is not exercised).



Source: Ridgeline Minerals Presentation. May 8, 2024.

Prior to the MJG partnership's investment into Ridgeline, the company attempted a self-funded drill program at Black Ridge (formerly named Carlin-East) in 2021. In this ill-advised program, two of the three holes – each planned to extend to over one thousand meters in depth – failed to reach the Lower Plate carbonate rock package prospective for gold. Ridgeline CEO Chad Peters will readily admit that this was the company's biggest misstep since inception, with the experience leading to Ridgeline's subsequent embrace of the hybrid generator model.

Clearly the 2021 drill program did not kill the project's potential, as evidenced by the recent earn-in deal signed with NGM. Black Ridge is directly on strike with NGM's Fallon Deposit (formerly known as North Leeville), which in 2021 yielded one of the best intercepts in the Carlin Trend's history with 56.7 meters at 28.39 g/t Au. NGM is no doubt hoping for a similar outcome at Black Ridge, looking for additional feed to supply its hungry mill complex next door.

NGM has committed to a US$200,000 program at Black Ridge in 2024, comprised of systematic field mapping, soil sampling, and target generation. NGM will likely follow with a 1-3 hole drill program in

2025 to ensure that it reaches its US$1.5 million spend commitment by December 31, 2025. While it's unlikely for this first pass drill program to yield a significant discovery, it would be a distinctly positive development from a Ridgeline perspective were NGM to be encouraged enough to pursue an expanded drill program in 2026.

It's also worth noting that Ridgeline continues to hold 100%-owned ground in the immediate proximity of Black Ridge. (The Bell Creek and Coyote properties, as displayed in the above map.) It remains to be seen whether additional deals with NGM are to follow on these assets, or alternatively whether they are packaged into a future asset-level sale of Black Ridge should NGM have success with the drill bit in the years ahead.

Valuation

Ultimately, Ridgeline will need to participate in a major discovery – either at one of its 100%-owned projects or in partnership with NGM – to drive significant value from the current share price. With this said, there is a good case to be made that Ridgeline at C$0.15 is undervalued relative to its prospect generation peers. This can be gathered by looking at how much Ridgeline shareholders are paying per $1 of partner spend, and then comparing this ratio to the peer group.

Ridgeline currently sits at a 2.04x price-to-partner spend multiple given its current enterprise value (approximately C$14.5 million) and the expected partner spend by NGM in 2024 between Swift and Black Ridge (US$5.2 million, or approximately C$7.1 million). In other words, Ridgeline shareholders are paying $2.04 for every $1 of partner spend expected this year from NGM.

The MJG partnership recently updated its prospect generation database by canvassing just under forty prospect generators for their expected partner expenditures over the course of 2024. The results are in, with the median price-to-partner spend multiple across the prospect generator space currently sitting at 3.57x. Put differently, investors in Ridgeline's median prospect generator peer are paying $3.57 for every $1 of partner spend in 2024.

The implication is that the Ridgeline's enterprise value would need to rise to roughly C$25.3 million for Ridgeline to be valued on par with its median peer. This is equivalent to a Ridgeline share price of approximately C$0.25, or a 67% premium to its current level of C$0.15.

There are of course drawbacks to this valuation methodology. We are dealing with relative valuations, and one could argue that the median prospect generator is overvalued on this price-to-partner spend metric. Additionally, not all partner spend is created equal; deal terms, partner fit, and the size of the potential prize really do matter. And then there's the fact that partner budgets will vary from year to year. A healthy partner spend budget in 2024 is no guarantee of a similarly large number in future years.

It should also go without saying that Ridgeline's shareholder base is not in this for a 67% return. Early-stage mineral exploration is simply too risky of a proposition for this sort of upside. Hopefully, it is clear to readers that a material discovery at one of Ridgeline's assets – whether the 100%-owned projects or the two in partnership with NGM – would lead to a multifold increase in the RDG share price from current levels.

With all this said, this exercise serves the purpose of illustrating that Ridgeline is relatively cheap compared to its peer group; providing confidence that investors at current levels are not overpaying for this exposure to the explosive upside potential afforded by early-stage mineral exploration. In respect to the price-to-partner spend metric, Ridgeline can further increase its attractiveness relative to peers by bringing in a partner at Selena and/or Big Blue in the months ahead.

Upcoming Milestones

Provided below are the upcoming milestones expected from Ridgeline over the next eighteen months. Importantly, the first four of these should occur before the company comes back to market for additional capital (likely in H1 2025).

- Plan of Operations Permit Received from BLM at Selena Project **by end Q3 2024**
- Drill results (4-5 holes) from Phase III program at Swift funded by NGM **by end 2024**
- Decision on whether to drill on 100% basis or bring in earn-in partner at Selena **by end 2024**
- Decision on whether to drill on 100% basis or bring in earn-in partner at Big Blue **by end 2024**
- Drill results (1-3 holes) from Phase I Program at Black Ridge funded by NGM **by end 2025**

Conclusion

Since its formation in 2018, Ridgeline has demonstrated the ability to both secure highly prospective projects within world-class mineral trends and bring name brand partners into the fold. With this said, the company's efforts have yet to yield a game changing discovery and the RDG share price – having run up to as high as C$0.77 on the back of its IPO – has languished as a result. An investment in Ridgeline at this juncture is a wager that the company's dogged efforts will be rewarded with such a discovery, either in collaboration with Nevada Gold Mines or at one of the company's 100%-owned projects.

This of course is a highly speculative bet not well-suited for most investors, as the odds of success in grassroots mineral exploration are slim. The MJG partnership has nonetheless chosen to back Ridgeline Minerals, with the belief that one can bend the odds in their favor by backing talented, ethical, and narrowly focused teams with expertise in a given jurisdiction while leveraging the balance sheets of larger counterparties to test bold geological theses.

Unlike many of our positions, Ridgeline admittedly does not provide a Ben Graham-esque “margin of safety”. Despite a valuation that appears relatively cheap compared to its prospect generation peer group, a significant loss of capital is firmly on the table should a major discovery continue to prove elusive. The MJG partnership holds this position with eyes wide open, recognizing both the risk involved as well as the tremendous upside on offer should Ridgeline participate in a major discovery.

Featured Investment Updates

Over the course of previous MJG partnership letters, *Featured Investment* write-ups have been included for twenty-six different companies. These provide current and prospective limited partners a glimpse into the MJG portfolio, while also giving insight into the methodology utilized to identify undervalued securities. The MJG partnership remains invested in eight of these companies, with updates included for each of these below.

At the end of the section, the *average cost per share* and *exit price* is provided for legacy MJG holdings featured in previous partnership letters.

Altius Minerals (TSX: ALS)

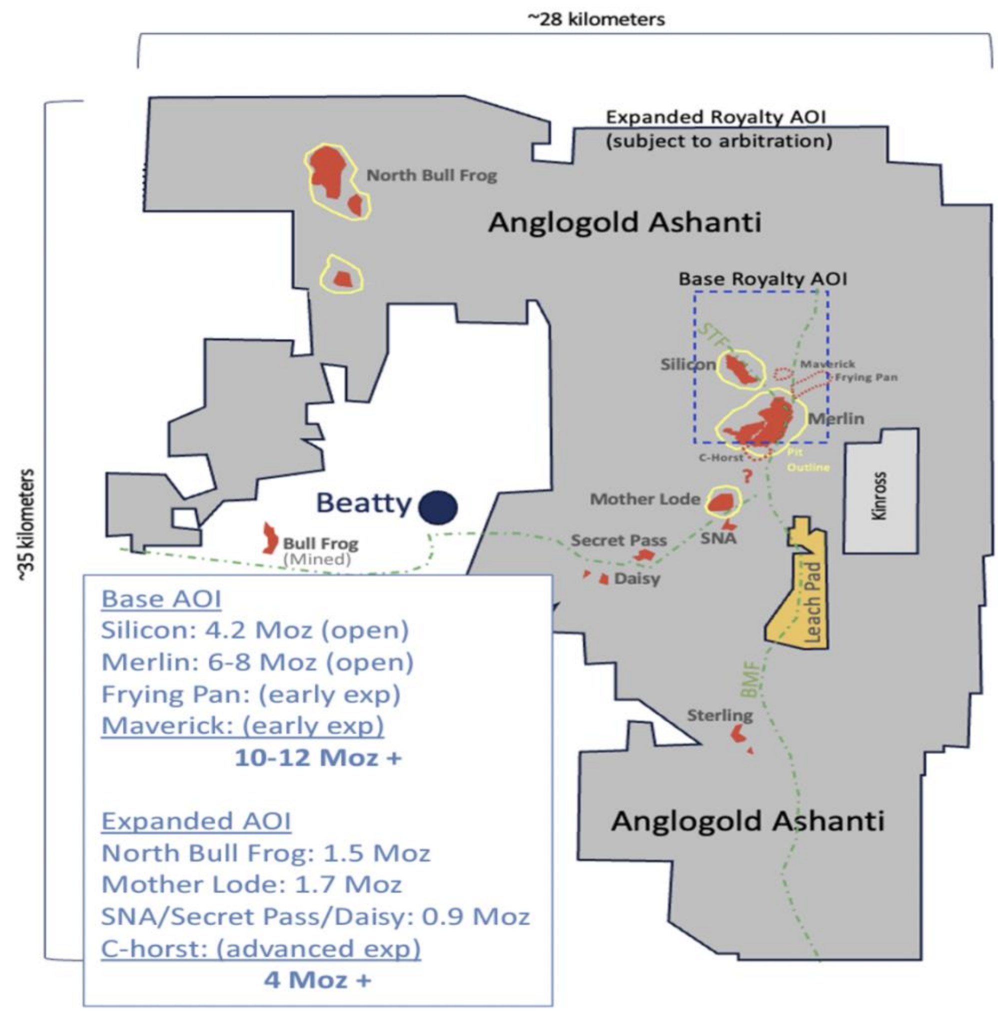
Featured In: **January 2024**
Average Cost Per Share: **C$11.88**
Current Market Price (July 5, 2024): **C$21.15**

Altius Minerals was the *Featured Investment* in the most recent MJG partnership letter. The Altius position was first initiated in April 2020 during the COVID-induced market swoon. The partnership most recently added to its position in early February, increasing its cost basis to C$11.88 from C$10.33 in the process.

While Altius's long-term value proposition remains similar to when the company was featured in the last MJG partnership letter, there have been a handful of notable developments in the period since. First, the good news – which pertains to the company's 1.5% NSR at AngloGold Ashanti's Expanded Silicon Project (ESP). In late February, AngloGold held its year-end earnings call in which it announced an updated 9.1-million-ounce resource at ESP's Merlin deposit. Expectations called for 6-8 million ounces at Merlin, making this a "truly spectacular" outcome, in the words of AngloGold CEO Alberto Calderon, for both AngloGold and its royalty counterparties.

All told, ESP now hosts more than 16 million ounces of gold, putting the project into the top echelon of development-stage gold projects worldwide. However, there remains significant exploration upside from here. As recently noted in Adrian Day's *Global Analyst* newsletter: "The room for additional resources is enormous. Hidden in a filing, AngloGold said that in doing drilling for water 'north of Silicon', it hit 'significant gold'… Anglo has talked about the success of exploration immediately to the west of Merlin, and now there is potential to the north. It is probable that the deposit also continues at depth." At this point, a global resource at ESP of over twenty-million ounces is almost assured.

This of course is excellent news for Altius given its 1.5% NSR at ESP, potentially over the entire project footprint. As noted in the last MJG partnership letter, Altius is in the midst of a high-stakes arbitration dispute with AngloGold regarding the footprint of the royalty. Altius's steadfast position is that the royalty covers the entirety of ESP while, if AngloGold gets the result it desires, the royalty will cover only the "Base Royalty AOI" (as shown in the below image). Even in the worst-case outcome for Altius, the company's 1.5% NSR will cover the existing 13.3-million-ounce resource between Silicon/Merlin and presumably also the exploration success that AngloGold is seeing to the north of Silicon and to the immediate west of Merlin. Arguments were made by both parties before the arbitration panel in Vancouver in early April, with a definitive ruling expected in late Q3 2024.



Source: Altius Minerals Investor Day Presentation. May 16, 2023.

Separately, in a less than ideal development, Altius announced on April 5th that the Alberta Court of Appeals had ruled against the company's position that it was entitled compensation for the adverse impact on Altius's Genesee coal royalty of regulatory actions to phase out coal-fired power generation by 2030. (Genesee would have been a cash flowing royalty asset to Altius through at least 2055 had these regulatory actions not been taken.) The Altius share price did not react much at all to this news, indicating that the market had either written off the company's chances in this lawsuit or had largely forgotten about this longstanding litigation. Altius and its legal team are now assessing whether to elevate the appeal to the Canadian Supreme Court.

The third development that bears mention is the release of the Kami Prefeasibility Study by Champion Iron, relevant to Altius's 3% GRR held over Kami. The results were mildly disappointing, both in terms of the updated capex figure (a formidable C$3.9 billion) as well as the length of the expected construction period (48 months). With this said, Champion remains confident that it will be able to secure one or more partners to stump up some or all of the initial capex in exchange for the rights to the highly sought-after DR quality iron ore concentrate that Kami will produce. Should Champion succeed in bringing this asset to production, it would be a significant development to Altius and its shareholders – with the 3% GRR set to generate approximately US$27.5 million in royalty revenue per annum at the initial nine million tonnes per annum production rate outlined in the Prefeasibility Study.

Included below are the major Altius milestones expected over the coming eighteen months. (There's also the possibility that Champion Iron announces a funding partner at Kami in this period, however the timing of such a deal is too uncertain to include in the below list.) The most significant of these is the final arbitration ruling regarding the extent of the boundary of Altius's 1.5% NSR at the Expanded Silicon Project.

- First royalty revenue at Tres Quebradas (0.1% GRR) from Zijin Mining **by end Q3 2024**
- Final arbitration ruling regarding royalty boundary at Expanded Silicon Project **by end Q3 2024**
- Prefeasibility Study at Expanded Silicon Project from AngloGold **by 2025**

Altius remains a quintessential compounder, with a portfolio of royalty interests that will outlive anybody reading this and a founder/operator team who (a) understands the value of what the company has and (b) is intent on not screwing things up. The company is set with its current asset base for the coming decades, whether it ever again makes a royalty acquisition or generates a new royalty of value from its internal prospect generation unit. The MJG partnership will continue to hold this position as a core, long-term holding.

Kenorland Minerals (TSXV: KLD)

Featured In: **July 2023**
Average Cost Per Share: **C$0.59**
Current Market Price (July 5, 2024): **C$0.96**

Kenorland Minerals was featured in the July 2023 MJG partnership letter. The company has been a MJG holding since a February 2020 financing at C$0.25 while the company was still private. The partnership added modestly to its position in mid-April, with our cost basis staying the same at C$0.59.

Over the past six months, Kenorland has seen its inward grace rewarded with a share price that has increased by over 50% YTD. Despite the significant re-rating, the company's cash and marketable securities position continues to cover roughly 50% of its market capitalization while the C$17.4 million in partner spend expected in 2024 compares quite favorably to Kenorland's enterprise value of roughly C$35 million. This equates to a price-to-partner spend multiple of 2.01x, well below the median of its prospect generation peer group of 3.57x. Put another way, at the current KLD share price, the company remains cheap relative to peers while its downside is significantly insulated relative to the typical junior explorer.

The biggest company development thus far this year, covered in detail in the January 2024 partnership letter, was the mid-January announcement that Kenorland had swapped its 20% project-level interest at Frotet for a 4% NSR. According to a July 2nd news release from Kenorland, Sumitomo has since engaged engineering consulting firm BBA to conduct environmental and technical baseline studies to support the permitting of an underground exploration decline at Frotet. (In a best-case scenario, it appears that construction of the decline may commence as soon as late 2025.) The news release also includes mention of a Maiden Resource Estimate at Frotet in late 2025 – the first time that the date of the long-anticipated maiden resource has been publicly stated – and that Sumitomo expects to become operator at Frotet sometime next year.

Sumitomo, the now 100%-owner of Frotet, has the right to buy down 0.75% of Kenorland's 4% royalty for a combined C$13 million. This buy down right implies a valuation of C$69 million for the full 4%, well in excess of the company's C$35 million enterprise value. Even if one were to arbitrarily chop this C$69 million implied valuation in half out of conservatism, this would still mean that the rest of Kenorland's business comes entirely for free at the company's current share price.

This is unwarranted as Kenorland prepares for its busiest summer field season in company history, with no less than seven of the company's 100%-owned projects set to see exploration programs in the coming months. In preparation, Kenorland raised C$9.86 million in flow-through funds in late May from Centerra Gold at an average price of C$1.19 per share, an impressive 59% premium to KLD's C$0.75 share price on the day of the announcement. This transaction succeeded in bringing a second credible strategic onto the share registry – with Centerra now a 9.9% shareholder – alongside long-standing supporter Sumitomo. It also ensures that the entirety of the company's planned sole-funded exploration work in 2024 (as well as a good chunk of likely 2025 expenditures) will be funded via flow-through funds, preserving the company's enviable hard-dollar war chest for a rainy day. The cost of course is the extra dilution incurred, though this was brushed off by the market with the Kenorland share price trading to its highest levels since mid 2021 on the back of the Centerra deal.

Included below is a summary of the most significant Kenorland milestones expected over the coming eighteen months. There also remains the distinct possibility that the company further monetizes and/or partners out additional projects from its 100%-owned portfolio. With this said, at the current stage in the company's lifecycle, Kenorland can afford to be particularly selective on both the partners that it chooses to work with as well as the deal terms that it consents to.

- Drill results (10,000 meters) at Sakassou from Koulou Gold **by end Q3 2024**
- Drill results from summer program at Frotet **by end 2024**
- Completion of environmental and technical baseline studies at Frotet **by end Q1 2025**
- Drill results from winter program at Frotet **by end Q2 2025**
- Drill results from Phase II program at Chebistuan funded by Newmont **by end Q2 2025**
- Maiden Resource Estimate at Frotet **by end 2025**
- Maiden drill program at South Uchi Project **by end 2025**
- New partner announced at Tanacross Project **by end 2025**
- Koulou Gold goes public via RTO or IPO **by end 2025**

The Kenorland team is executing on the prospect generation business model at an elite level, as well as any company in the world at the moment. Despite a significant re-rate in the KLD share price in recent months, the company continues to be undervalued both relative peers as well as for the 4% royalty at Frotet in its own right. This makes Kenorland, currently a top five position within the MJG partnership, an easy hold for the foreseeable future.

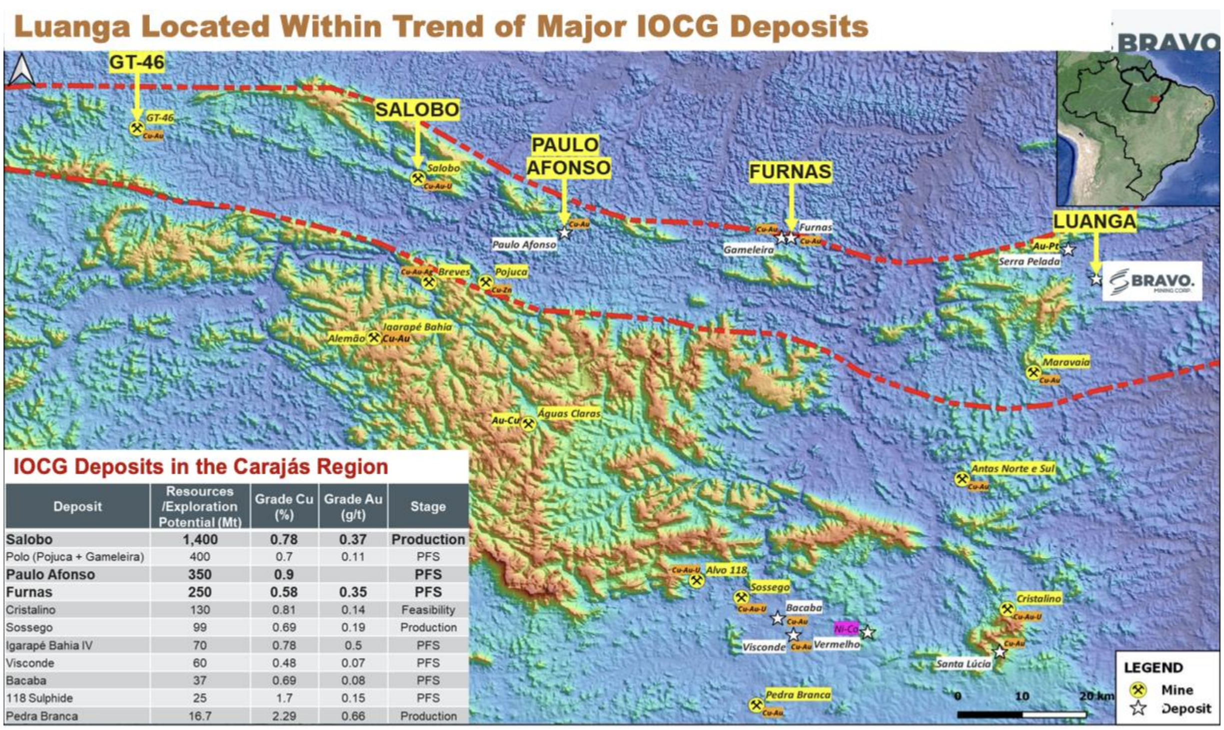
Bravo Mining (TSXV: BRVO)

Featured In: **January 2023**
Average Cost Per Share: **US$0.50**
Current Market Price (July 5, 2024): **C$3.72**

Bravo Mining was featured in the January 2023 MJG partnership letter. The partnership first initiated a position in Bravo in its pre-IPO financing in early 2022 at US$0.50. In the period since, the partnership's investment has more than quintupled in value, with Bravo currently sitting as our largest holding by a significant margin.

The Bravo story transformed overnight when a May 28th news release announced the discovery of IOCG-style massive sulphide copper-gold mineralization at the company's Luanga Project. The discovery hole, the second to be drilled at the T5 anomaly, returned 11.48 meters of 14.3% Cu and 3.3 g/t Au from roughly 165 meters depth. This is an exceptional result in all respects, with a copper grade roughly 30x the average copper mine globally, a rich gold byproduct, a healthy width, and a proximity relatively close to surface. The BRVO share price increased by 48% on heavy volume on the day of the news release, adding approximately C$125 million to the company's market capitalization in a single day.

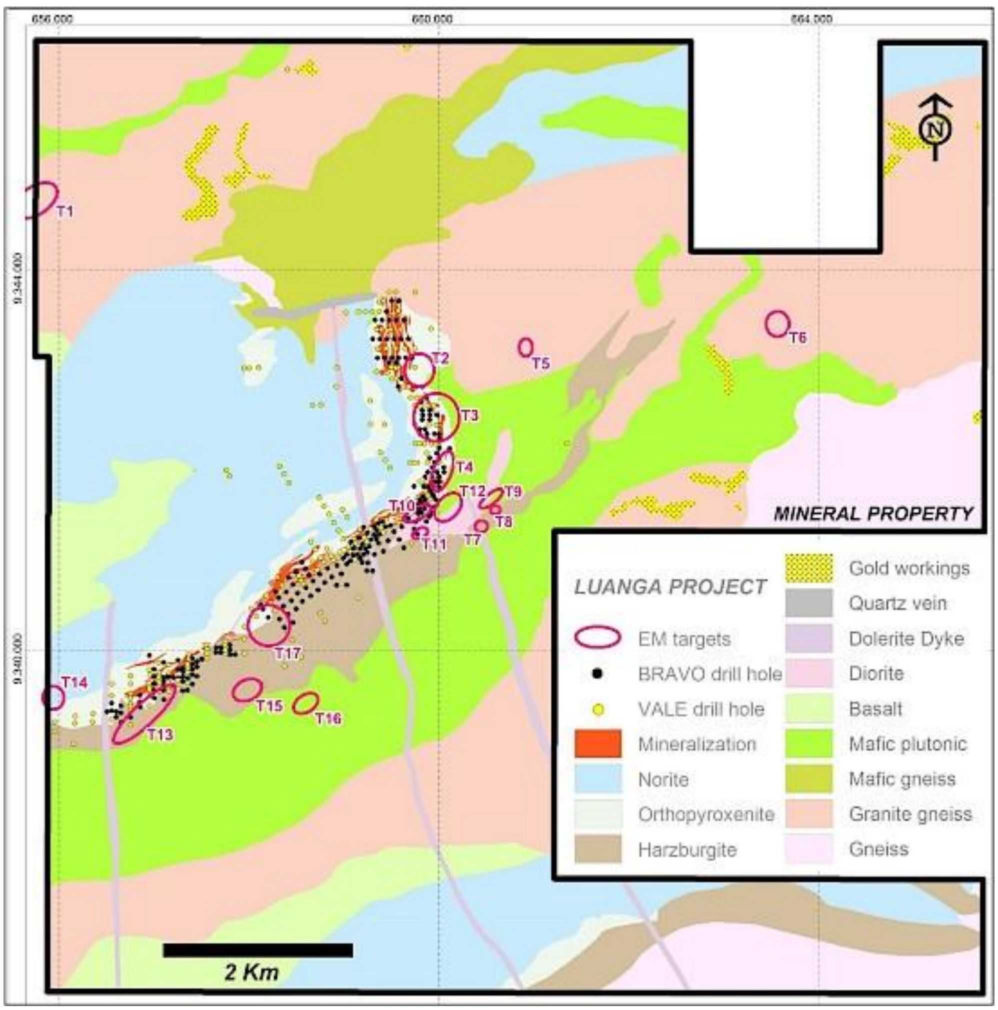
Subsequent drilling at T5 confirms that the mineralization extends at least 50 meters to the east (8.75 meters at 9.48% Cu and 2.1 g/t Au in hole DDH2405T004) as well as 50 meters to the west (assays pending for hole DH2405T003). The company is currently drilling down dip of the discovery hole to confirm whether the mineralization extends to depth and will inevitably follow up along strike as well.



Deposit	Resources /Exploration Potential (Mt)	Grade Cu (%)	Grade Au (g/t)	Stage
Salobo	**1,400**	**0.78**	**0.37**	**Production**
Polo (Pojuca + Gameleira)	400	0.7	0.11	PFS
Paulo Afonso	**350**	**0.9**		**PFS**
Furnas	**250**	**0.58**	**0.35**	**PFS**
Cristalino	130	0.81	0.14	Feasibility
Sossego	99	0.69	0.19	Production
Igarapé Bahia IV	70	0.78	0.5	PFS
Visconde	60	0.48	0.07	PFS
Bacaba	37	0.69	0.08	PFS
118 Sulphide	25	1.7	0.15	PFS
Pedra Branca	16.7	2.29	0.66	Production

Source: Bravo Mining corporate presentation. June 2024.

While the Luanga Project was not previously thought to host IOCG-style mineralization, the T5 discovery doesn't come entirely out of the blue given the project's location (as shown in the above image) within a trend of prolific IOCG deposits – including Salobo, Paulo Afonso, and Furnas. These three Vale-owned deposits are characterized by multiple high-grade pockets within a much broader zone of low to medium grade mineralization. Through the drill bit, Bravo must now determine whether a broader zone of lower-grade copper mineralization exists beneath the ultra-high-grade mineralization that has been found closer to surface. If this is indeed the case, comparisons to Salobo or Paulo Afonso move from arm waiving to a distinct possibility. If not, we're more likely looking at a smaller, high-grade deposit – with Pedra Branca (16.7 million tonnes at 2.29% copper) perhaps a better analogue. While a deposit more closely resembling Pedra Branca would be extremely profitable in a future underground mining scenario, the size of the prize would be admittedly smaller when compared to the three IOCG giants located to the west of Luanga.



Source: Bravo Mining news release. September 11, 2023.

Up until the May 28th news release, Bravo was a PGM and nickel-focused development story with the company's primary objective being the advancement towards production of its 10-million-ounce PdEq Luanga deposit and secondary objective being the testing of high-priority HeliTem targets (seen highlighted in the above image) in an attempt to locate the potentially lucrative feeder zone(s) that served as the conduit to the known mineralization exhibited closer to surface. With the discovery at T5, the company's to-do list has just gotten that much longer.

For the time being, Bravo is allocating one drill rig for follow up drilling at T5, one drill rig to continue testing the additional sixteen EM anomalies identified across the property, and two drill rigs at the Luanga deposit for extension and infill drilling. (It's likely that the company has additional drill rigs on route to site.) Bravo can juggle these three priorities due to its enviable cash position of US$29.6 million as of March 31st, with the admittedly conservative budget planned for 2024 going out the window upon the discovery at T5.

Included below are the key milestones expected from Bravo over the coming eighteen months. The company's share price in the immediate term will be driven by follow-up drill results coming from the T5 target – with additional high-grade results of similar widths to holes DDH2405T002 and DDH2405T004, or broader lower-grade intercepts both likely to be received positively by the market. A legitimate discovery at one of the sixteen other high-priority EM targets also has the potential to move the needle.

- Additional drill results from T5 target **by end Q3 2024**
- Drill results (8,000 meters) from an additional fourteen EM targets **by end 2024**
- Extension and infill drilling (16,000 meters) at Luanga deposit **by end 2024**
- Updated resource estimate at Luanga deposit **by end Q1 2025**
- "Preliminary License" environmental permit received **by end Q2 2025**
- Prefeasibility Study announced for Luanga deposit **by end 2025**
- Final key mining permits received **by end 2025**

It is now hard to say, given the C$160 million that has been added to the Bravo market capitalization in the five weeks since the T5 discovery was announced, whether the company is better classified as a PGM-nickel developer or a copper discovery play. (For the record, the MJG partnership still classifies Bravo internally as the former; this could change, however, as additional drill results continue to roll out at T5.)

What we do know, as stated in the January 2024 MJG partnership letter, is that *"Bravo is a bet on the right people, in the right place, with the right asset"*. This very much remains the case today. It's worth noting that a year ago to this day, Bravo was being assigned a higher valuation for the Luanga deposit alone than it is today with the T5 discovery thrown into the mix. This story keeps getting better and, as such, the partnership will stay patient with its Bravo position despite its already outsized weighting within the MJG portfolio.

Star Royalties (TSXV: STRR)

Featured In: **July 2022**
Average Cost Per Share: **C$0.41**
Current Market Price (July 5, 2024): **C$0.27**

Star Royalties was featured in the MJG partnership's July 2022 letter. Star has been a MJG position since a September 2020 financing when the company was still private. Open market purchases in April and June have lowered the partnership's cost basis to C$0.41 (from C$0.43 at the beginning of 2024).

It remains a struggle to wrap one's head around the current Star Royalties valuation of C$21 million. As noted in the January 2024 partnership letter, STRR is best thought of as a sum of the parts story with two distinct businesses, each on their own worth more than the company's current valuation. The first is Green Star, a carbon credit royalty and streaming joint venture alongside Agnico Eagle and Cenovus Energy. In December 2023, Cenovus Energy – after nearly a year of due diligence – invested C$21.2 million into Green Star at a roughly C$82 million post-money valuation.

Post Cenovus investment, Star Royalties owns 45.9% of Green Star. Given STRR's 75 million share count, this implies a value of C$0.50 per share for the company's stake in Green Star. Assuming Cenovus paid a fair price in the December transaction, the STRR share price would need to rise nearly 85% from current levels before the 45.9% ownership of Green Star is fairly reflected.

Separately, Star Royalties also owns a portfolio of mineral royalties acquired in three separate deals between October 2020 and September 2021. The book value of these mineral royalties is just over C$30 million. Regrettably for Star, two of these three deals have not gone to plan – with the Copperstone Gold Mine (over which Star holds a 4% life-of-mine stream) no closer to production than it was upon the stream's acquisition in late 2020 and the Elk Gold Mine (over which Star holds a 2% NSR) seeing its operator Gold Mountain Mining on life support.

While it's clear that Star overpaid for these mineral royalties, they are far from without value – even considering the struggles outlined above. Star easily could sell its mineral royalty portfolio tomorrow for at least half of book value to one of its many hungry precious metal-focused royalty peers. (Keep in mind that Copperstone and Elk, both gold-focused, were purchased by Star when the gold price was closer to $1800 per ounce.) While Star management in recent months has not been shy in publicly stating that it plans to monetize these mineral royalties and go "all-in" on its carbon credit royalty/streaming business, it seems likely that the company will wait for a higher-quality operator to step into the fold at one or both of these assets before doing so. If/when this occurs, Star should be able to get at least 75% of book value – or roughly C$23 million – when it decides to sell its mineral royalty interests.

Given the market's apathy to the Star Royalties story at present, it appears that one of two things will need to happen to spur the share price closer to fair value. The first we just discussed, which is a sale of the mineral royalty assets bringing in cash and/or shares in excess of the company's current market capitalization. The second is an additional re-rate of the Green Star valuation, likely in conjunction with a go-public event. While the timing of these two events is uncertain, the most elegant solution would seem to be a sale of the mineral royalty assets, followed by a Green Star RTO into Star Royalties itself.

Included below are the expected milestones for Star Royalties and Green Star over the coming eighteen months. The most significant potential catalysts, a monetization of the mineral royalty portfolio and a go-public event for Green Star, are not included in the below items due to the uncertainty on timing.

- CarbonNOW regenerative agriculture program receives third-party validation **by end Q3 2024**
- C$1.2 million payment from Sabre Gold **by end Q3 2024**
- CarbonNOW regenerative agriculture program receives third-party verification **by end Q1 2025**
- First carbon credit issuance from CarbonNOW regenerative agriculture program **by end Q2 2025**
- C$800k payment from Sabre Gold **by end Q3 2025**
- First royalty revenue from EMS Forest Project **by end 2025**
- First royalty revenue from LSFN Forest Project **by end 2025**
- Green Star deploys a cumulative US$20.6 million into CarbonNOW **by end 2025**

At its current share price, Star offers perhaps the most compelling value proposition of all positions held within the MJG portfolio. But it has become readily apparent that, before this value is recognized by the market, STRR shareholders will need to wait patiently for a monetization of the mineral royalty portfolio and/or a go-public event for Green Star. Despite the disappointing share price performance to date, the MJG partnership will continue to steadily average down on its position – given the significant value on offer coupled with two clearly defined catalysts to unlock this value.

Elemental Altus (TSXV: ELE)

Featured In: **January 2022**
Average Cost Per Share: **C$1.38**
Current Market Price (July 5, 2024): **C$1.09**

Elemental Altus, formerly Altus Strategies until its 2022 merger with Elemental Royalties, was first featured in the January 2022 MJG partnership letter. We added modestly to our Elemental Altus position in early April and then in late June, with the MJG partnership's post-merger cost basis falling slightly to C$1.38 per share.

It's somewhat remarkable that the company's share price sits at nearly the same level at which it entered the year. Although there have not been any game changing company-specific developments in this period, the Elemental Altus team continues to execute to plan while the prices of gold and copper – the two key metals to which the company has production-stage royalty exposure – have increased by roughly 16% and 20% YTD, respectively. While Elemental Altus is not alone amongst its peers in failing so far this year to provide leverage to metal price increases, it is frustrating for the company's shareholders nonetheless.

The most significant company-specific development in recent months was the sale of the Ming Gold Stream announced on February 20th. The original purchase of the Ming Gold Stream for US$11 million in spring 2022 is perhaps the company's only misstep since formation, with CEO Fred Bell conceding that "our original thesis did not play out" in the late February news release. This is far from a disastrous outcome for the company, however, as Elemental Altus will now receive US$12.1 million in cash and shares (split between an initial payment in February 2024 and a second payment in April 2025) in addition to the US$500,000 in revenue received from the stream since its purchase in April 2022. The Ming sale contributes to the roughly US$20 million in one-off payments that Elemental Altus expects to receive from across its portfolio between 2024 and 2025, which in turn will be used for additional acquisitions and/or to pay down the company's US$20 million debt balance.

In addition to the Ming sale, Elemental Altus's counterparties continue to invest in both exploration and project development at a relentless clip. In sum, the company's royalty counterparties have publicly guided for approximately US$460 million in expenditures over the course of 2024, with roughly 35% of this total going towards exploration. Nearly half of this total, or US$205 million, is driven by significant investment from Lundin Mining at its Caserones Mine in Chile – which happens to be Elemental Altus's single most significant royalty, both in terms of NAV contribution, annual royalty revenue, as well as the expected mine life. The expected investment at Caserones in 2024 alone exceeds the current Elemental Altus enterprise value of roughly US$180 million.

Included below are the expected milestones for Elemental Altus and its royalty counterparties over the coming eighteen months. Most significant is first royalty revenue from Allied Gold's Diba Project, which is anticipated in the coming few months. There will also be plenty of news flow from Arizona Sonoran and its Cactus Project, with first production – and hence first royalty payments (0.68% NSR) to Elemental Altus – expected in 2027.

- First royalty revenue (2-3% NSR) received from Diba operated by Allied Gold **by end Q3 2024**

- PEA (incorporating Rio Tinto's Nuton technology) at Cactus Project from Arizona Sonoran **by end Q3 2024**

- Drill results (12,900 meters) at Caserones from Lundin Mining **by end Q1 2025**

- Updated Life of Mine Plan at Caserones from Lundin Mining **by end Q1 2025**

- US$10m payment related to the Ming Gold Stream sale **by end April 2025**

- Prefeasibility Study (incorporating Nuton) at Cactus Project from Arizona Sonoran **by H1 2025**

- Feasibility Study (incorporating Nuton) at Cactus Project from Arizona Sonoran **by end 2025**

In one form or another, patience will be rewarded for the current Elemental Altus shareholder base. This may take the form of increased market recognition as higher metal prices reflect in future financial results, or the ongoing potential for an unexpected discovery by Elemental Altus's royalty counterparties as US$150 million is ploughed into exploration over the course of this year. There's also the possibility, should the ELE share price continue to stagnate, for a takeover offer by a larger party as consolidation continues within the mining royalty sphere. (This is most recently illustrated by Deterra's proposed acquisition of Trident Royalties, a close peer to Elemental Altus, announced in mid-June.) Absent a dramatic share price re-rate in the short term, the MJG partnership plans to add to its Elemental Altus position further ahead of first royalty revenue from Diba.

Strategic Resources (TSXV: SR)

Featured In: **July 2021**
Average Cost Per Share: **C$1.98**
Current Market Price (July 5, 2024): **C$0.68**

Strategic Resources was featured in the July 2021 MJG partnership letter. The partnership first initiated its position via a private placement in October 2020 priced at C$2.10 (split-adjusted). Our average cost currently sits at C$1.98 per share.

Strategic holds the regrettable distinction of being the MJG partnership's worst performing investment over the trailing twelve months, with the SR share price declining by over 60% during this period. Simply put, the company has not delivered on expectations set upon the merger with BlackRock Metals in March 2023 when, at the time, management guided for a construction financing package for the shovel-ready BlackRock Vanadium-Titanium-Iron Project by the end of 2023. This has not come to pass, as there is evidently not the appetite from either financiers or potential acquirers for the project's nearly C$1.5 billion initial capex bill at this point in the cycle.

As a result, in November 2023, Strategic announced that its immediate term focus had shifted to the financing of a four million tonne per annum iron ore pelletizer at Port Saguenay in Quebec to process third-party iron ore pellet feed on a merchant basis. To be clear, this was not a 180-degree pivot – as an iron ore pelletizer at Port Saguenay was an integral part of the C$1.5 billion plan to bring BlackRock into production – but rather an attempt to advance the broader project in a more piecemeal fashion.

To these ends, Strategic announced on March 12th the results of a Prefeasibility Class 5 level engineering study on the proposed pelletizer project. On paper, the results of the study were encouraging. The initial capex came in at US$470 million, slightly below the US$500 million figure estimated in the January 2024 MJG partnership letter. (Remember that a C$111 million multi-user conveyer system, funded in late 2023 by provincial and federal authorities, is under construction at the Port of Saguenay; the Strategic pelletizer project will utilize this conveyer system, lowering the initial capex bill from what it would have been otherwise. There are also planned infrastructure projects around a natural gas pipeline extension, high voltage power lines, and a process water line to the port that are being funded by third parties.)

The prefeasibility study's base case outlines an after-tax NPV_8 of US$957 million – or over 2x the initial capex – as well as an after-tax IRR of 25%. It should be noted that the project is highly levered to the assumed DR pellet premium, which is the differential between the purchase price of the third-party iron ore pellet feed going into the pelletizer and the DR grade pellet product coming out the other end. Since January 2021, the DR pellet premium has fluctuated wildly from as low as $30 per tonne to as high as over $100 per tonne. The prefeasibility study's base case assumes a $70 per tonne premium, roughly the midpoint of the pricing range seen in recent years. As seen in the below table, the after-tax NPV_8 drops to US$331 million if a $49 per tonne premium is assumed over the pelletizer's fifty-year project life while increasing to US$1.58 billion if a $91 per tonne premium is assumed.

Table 2: Study Economic Results

	-30%	-15%	Base Case	+15%	+30%
Assumed DR Pellet Premium (US$/t)	49.00	59.50	**70.00**	80.50	91.00
Annual Run Rate EBITDA Per Year (US$M)	93	133	**173**	212	252
After-tax Net Present Value (8%) (US$M)	331	645	**957**	1,269	1,580
After-tax IRR (%)	14%	20%	**25%**	29%	34%

Source: Strategic Resources news release. March 12, 2024.

While the SR share price saw a roughly 50% bounce in the weeks after the release of the prefeasibility study, this move has been entirely erased in the subsequent months. The scope of the pelletizer project is indeed more palatable for a company of Strategic's size, but the fact remains that this won't be built unless (a) the company is acquired or (b) one or more strategic partners step in to front the build cost. In the roughly four months since the prefeasibility study's release, there have been no indications from the company that progress has been made on either of these fronts.

As stated in the January 2024 MJG partnership letter: "*Judging by the current valuation, the market is telling us in no uncertain terms that this project will not be built or acquired anytime soon. This may ultimately prove correct; there's no denying that even the reduced US$500 million capex bill for the pelletizer is a formidable ask for a company of this size… Those holding SR shares at current levels will be rewarded should the company and its key backers defy market consensus on the construction financing front, or alternatively engineer an exit to a larger party with the intention of building the BlackRock mine and/or the Saguenay metallurgical complex themselves. It should become abundantly clear within the next six months which direction this is heading.*"

We're now six months on and, despite the release of an encouraging prefeasibility study, have not seen progress on the construction financing front. Given the lack of tangible catalysts going forward, the slippage to expected timelines, and the heavy unrealized loss associated with this investment, Strategic Resources is a position in which the MJG partnership will consider tax-loss selling as we head into the back half of the year.

Lara Exploration (TSXV: LRA)

Featured In: **January 2020**
Average Cost Per Share: **C$0.67**
Current Market Price (July 5, 2024): **C$0.99**

Lara Exploration was featured in the MJG partnership's January 2020 letter. The partnership first initiated its position at C$0.44 in November 2019. Subsequent open market purchases, as recently as in early April, have lifted the MJG cost basis to approximately C$0.67 per share.

Lara has been the single best performer in the MJG portfolio thus far in 2024, with its share price up nearly 100% YTD. In hindsight, the company caught a significant break when former partner Capstone Mining relinquished the Planalto Project in Q4 2023 – giving Lara 100%-ownership of a reasonably-sized copper development project just months before an explosive breakout in the copper price. Lara and its new CEO Simon Ingram have seized on the opportunity presented, with the company making the strategic decision to push Planalto forward on a 100%-basis rather than seek out a new partner for the project. Judging by the Lara share price performance, the market clearly approves of this choice.

Next up at Planalto is a Maiden Resource Estimate expected to be released imminently, followed by a PEA in late Q3 2024. This will put Planalto in a position to be sold to the highest bidder potentially as soon as next year, though the exact timing will of course be dictated by market conditions. There will be no lack of suitors due to the relative ease in which Planalto could be pushed into production, given its open-pit nature, seemingly straightforward metallurgy (preliminary met tests reported in late January yielded recoveries of 88-92%), and location right in the heart of Brazil's prolific Carajás Mineral Province. News flow from the project will continue to be the primary driver of the Lara share price for the foreseeable future.

Independent of Planalto, Lara shareholders received some welcome news on May 22nd when the company announced the sale of its newly recovered Curionopolis Iron Project for staged payments totaling approximately US$2 million and a 3% gross sales royalty on future production. While the Curionopolis Project has been in the Lara stable for nearly two decades, it had been embroiled in arbitration and then litigation since 2016 before a settlement was finally reached this spring. Lara can now look to the project's new owner Fertec to advance Curionopolis towards production, with the immediate focus being environmental studies and the application for a pilot mining license. Perhaps more importantly, this deal buttresses Lara's working capital position – affording it runway well into 2025 and potentially through to a sale of Planalto.

Provided below are the anticipated Lara milestones expected over the remainder of 2024. There is also the possibility of a partner being announced at Lara's Alli Allpa Phosphate Project in Peru, though the timing of such a deal, should it occur, is uncertain. As stated previously, Planalto-specific developments will be the primary driver of the Lara share price for the foreseeable future.

- Maiden Resource Estimate announced at Planalto **by end July 2024**

- PEA completed at Planalto **by end Q3 2024**
- Drill results (5000m) at Celesta Project over which Lara holds 5% NPI and 2% NSR **by end 2024**

It's frankly wonderful to see the Lara team, one of the most ethical and least promotional groups in the business, having their efforts rewarded by the market. Despite the share price re-rate, Lara continues to offer compelling value – with the current C$45 million market capitalization wholly justified by Planalto, and the company's deep bench of royalties and project-level interests spread across Brazil, Peru, and Chile coming for free. The MJG partnership will continue to remain patient with its long-held Lara position, allowing Simon, Miles, and the rest of the team to work their magic.

Sama Resources (TSXV: SME)

Featured In: **January 2018**
Average Cost Per Share: **C$0.14**
Current Price (July 5, 2024): **C$0.12**

The MJG partnership first invested in Sama Resources via a C$0.10 private placement in late 2016. A subsequent warrant exercise along with open market purchases have since increased the partnership's cost basis to C$0.14 per share. (While not reflected in this C$0.14 cost basis figure, Sama's spin-off of SRQ Resources in August 2023 – and the subsequent sale of the SRQ shares by the MJG partnership – lowers our effective cost basis to roughly C$0.12.) Sama remains the single longest held position within the MJG partnership portfolio.

Sama and joint venture partner Ivanhoe Electric announced the long-awaited Updated PEA at Samapleu in late March, which is by far the most significant company-specific development since the January 2024 MJG partnership letter. The PEA outlined 16-year operation with initial capital costs of US$338 million. The headline economics include an after-tax NPV_8 of US$257 million, an after-tax IRR of 22.3%, and an after-tax payback period of 3.8 years. Assumed metal prices in the PEA study are $8.83 per pound for nickel and $3.99 per pound for copper, with the spot nickel price roughly 12% below this assumed price and the spot copper price roughly 17% above this assumed price. Given similar revenue contributions from the nickel and copper concentrates, these metal pricing discrepancies end up a wash in terms of the headline economics.

Though far from disastrous, the results indicate that – assuming flat metal prices from here – more work needs to be done with the drill bit to either (a) increase the overall resource size to improve economies of scale or (b) incorporate a high-grade starter pit to hasten payback. Until the market sees a NPV to initial capex ratio north of 1.0x, an after-tax IRR north of 25%, and an after-tax payback below three years, it won't have confidence of Samapleu being built anytime soon. While the project is not far off from these three thresholds, there is work to be done.

From a valuation perspective, the MJG partnership typically discounts marginal – and again, Samapleu will be considered marginal until the above economic thresholds are achieved – PEA-stage projects by 90% from their after-tax NPV figure. At the current exchange rate, this provides a C$35.1 million implied valuation for Samapleu at its current stage. Given that Ivanhoe Electric officially completed its 60% earn-in just a week after the PEA's release, the implied valuation for Sama's 40% share of the project at this stage is just a touch over C$14 million. In turn, Sama's enterprise value sits at C$16 million after considering the company's C$2 million cash balance and roughly C$8 million equity position in SRG Mining. This suggests that current SME shareholders are paying roughly fair value for the company's 40% stake at the Samapleu Project in its current state.

One of a few things will need to happen to change this calculus. The first is for Ivanhoe Electric to decide how it wants to proceed at Samapleu now that its 60% earn-in is complete. As stated above, Samapleu is in need of a larger resource and/or a high-grade starter pit (potentially provided by the shallow zone at

Yepleu delineated through drilling in 2023) before this can be considered a mine in the making. But as of now, Ivanhoe Electric has not made any firm commitments to take the project further forward and, curiously, appears to be sitting on at least fifteen holes drilled at Yepleu (see January 23rd news release from Sama) and potentially a few more drilled at the Draba target in the northeast corner of the property. Is Ivanhoe Electric trying to starve Sama of news flow in an attempt to take the company over on the cheap? Is Ivanhoe Electric considering running a process to sell Samapleu and keeping these assays in their back pocket to be released at an opportune time? Is Ivanhoe Electric stretched so thin due to their commitments in the United States and Saudi Arabia that they don't have the bandwidth to pay for the assays? As of now, it's simply not clear where Ivanhoe Electric stands in respect to Samapleu and the plan going forward.

The second potential driver of the SME share price from current levels relates to SRG Mining and its shovel-ready Lola Graphite Project in Guinea, given that the SRG equity position covers a full third of Sama's current market capitalization. SRG has just undergone a bruising twelve months, after a promising strategic cooperation and investment agreement signed in July 2023 with C-ONE (a leading anode producer in China) was shot down by the Canadian government ostensibly due to national security concerns. After officially scuttling the deal with C-ONE in March, La Mancha-backed SRG appears to be back on track, announcing on July 2nd that its planned redomiciliation to the United Arab Emirates had been completed and that it is engaged in advanced-stage discussions with several potential strategic partners (to fill the void left by C-ONE) as well as "multiple high-quality parties interested in providing financing to advance [Lola] towards first production". The SRG share price traded up to C$0.96 on the heels of the C-ONE deal, or roughly double its current share price of C$0.50.

The third potential driver would be an increase in nickel and/or copper prices from current levels. While the positive impact of higher metal prices is worth stating, it's not the MJG partnership's modus operandi to rely on metal price increases to provide share price appreciation. Additionally, there are better, more levered vehicles to back if one is looking to purely speculate on higher nickel and/or copper prices.

Given the current uncertainty regarding Ivanhoe Electric's path forward, it is not possible to provide the expected milestones for Samapleu at this point in time. Hopefully in the coming few months, we'll have some more clarity on whether Ivanhoe Electric plans to advance, sell, or sit tight at Samapleu. Similarly, while the announcement by SRG Mining of a strategic partner and/or funding partners for Lola would be of significant consequence to Sama, the timing of such developments is also uncertain.

In the meantime, the MJG partnership – while in no rush to sell our SME position as the company's valuation sits at fair value – won't hesitate to change its view if the share price increases much above fair value without a company-specific development to justify such a move. Sama management's efforts to avoid any share dilution since April 2018 have indeed been commendable, but there's no denying the hefty opportunity cost that has been absorbed by the MJG partnership by holding onto this position.

Featured Investments (Since Sold)			
Company	**Featured In**	**Average Cost Basis**	**Average Exit Price**
Nova Royalty (TSXV: NOVR)	January 2021	C$0.30	C$2.21
Tonogold Resources (OTC: TNGL)	July 2020	US$0.05	US$0.04
Salazar Resources (TSXV: SRL)	July 2019	C$0.26	C$0.14
Adriatic Metals (ASX: ADT)	January 2019	A$1.07	A$2.58
Golden Valley Mines (TSXV: GZZ)	July 2018	C$6.22	C$12.56
Ardea Resources (ASX: ARL)	July 2017	A$0.58	A$0.30
Viscount Mining (TSXV: VML)	January 2017	C$0.33	C$0.29
Excelsior Mining (TSXV: MIN)	July 2016	C$0.24	C$0.66
Golden Arrow Resources (TSXV: GRG)	July 2016	C$0.24	C$0.76
Almadex Minerals (TSXV: DEX)	January 2016	C$0.16	C$1.62
Quintis Limited (ASX: QIN)	July 2015	A$1.16	A$0.00
Nevsun Resources (NYSE: NSU)	January 2015	US$2.45	US$4.42
Tsodilo Resources (TSXV: TSD)	July 2014	C$0.86	C$0.71
Lithium Americas (TSX: LAC)	January 2014	C$1.20	C$12.70
Phoscan Chemical Corp (TSX: FOS)	July 2013	C$0.29	C$0.32
Soltoro Ltd (TSX: SOL)	July 2013	C$0.48	C$0.20
South Boulder Mines (ASX: STB)	July 2012	A$0.48	A$0.28
Northern Graphite (TSXV: NGC)	January 2012	C$0.97	C$0.80

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