Investing in the search for our future resources

Zurich, February 2018
Why Invest in Resources?

- Increasing global demand for resources
- Long term limited supply ("cheap" resources have been mined)
- Finding new economic resources is getting more difficult
- Trend to nationalize critical resources (secure own supply)
- "Majors" have difficulties in keeping up production at reasonable costs
Fund Positioning

- Strategically diversified fund over different commodity classes
  - Energy: Oil & Gas, coal, nuclear energy, renewables
  - Industrial metals: Aluminium, lead, copper, nickel, zinc, tin
  - Precious metals: Gold, silver, platinum, palladium, diamonds
  - Special metals: Lithium, vanadium, graphite, etc.

- Focus on exploration, „start-up“ and junior producers
Project Cycle of a Mining Company

Fund Investments on the mining share price cycle

1. Discovery hole
   2. Anticipatory/discovery high
   3. Discovery high
   4. Confirmation/disinterest slide
   5. Disinterest low
   6. Development/construction period
   7. Production start-up
   8. Production/cash flow period

- 1,2 & 3: 27%
- 4 & 5: 10%
- 6: 14%
- 7: 4%
- 8: 45%

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Typical Exploration Process

- Selection and acquisition of a land position
- Conduct initial geochemical sampling and geological mapping
- Conduct airborne geophysical surveys for mapping
- Follow-up detailed sampling and surveying in areas of interest by establishing grids
- Scout drilling of the best targets
- Follow-up drilling of a discovery
- Resources definition drilling to define a 43-101 compliant resource
- Scoping study work
- Complete pre-feasibility & feasibility studies
- Conduct permitting
- Construct the mine

This process can take up 10 to 14 years

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Investment Process I

Macro economic analysis

- Geopolitical developments, political risks
- Regional growth outlook

Commodity markets/sectors

- Analysis of the demand and supply situation of the individual commodities, positioning in the current cycle, gold/oil ratio, technical analysis (trends and momentum)
- Weighting of the asset classes/individual commodities (energy, industrial metals, precious metals, special metals)

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Investment Process II

Stock selection

- Location & geology: Geological structure, land reserves, infrastructure (road access, power supply)
- Project cycle: NI43-101 report, scoping study, feasibility study, mine construction
- Reserves and resources: Ounces, grades, cut-off-grade
- Production profile: Estimated production over 5 years, cost assumptions, by-products
- Management: Experience, track record
- Country, political risk
- Financials: Market Cap, liquidity, burn rate, debt, cash flow, hedging
- Valuation: NAV/share, reserves/Resources per share, Earnings/share
- Share structure: Outstanding shares, warrants & options, management holding, institutional holdings
- Various: Project portfolio, further exploration potential
- „Trigger“ for success

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Investment Decision

- Focus list
  - Input: Company presentations, external research, proprietary analysis

- Portfolio construction
  - +/- 40 stocks

- Regular monitoring

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Asset Allocation

- Liquid, attractively valued senior producers (max. 20%)
  - Market cap > 300M CHF
  - Fundamentally undervalued companies
  - Solid financing
  - Exploration mainly financed through cash-flow

- Strong growing small & mid caps (20 - 50%)
  - Market cap 100 - 300M CHF
  - Advanced projects
  - Benefit from ongoing consolidation process

- Small cap exploration companies (40 - 60%)
  - Market cap < 100M CHF
  - Experienced management
  - Good exploration portfolio
  - Next to existing mines
  - Low market liquidity

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Research

- Regular Company meetings and good industry networking
- Field Trips and Conferences
- Independent Research (Brokers)
- Quantitative Analyst
  - Mining: Timothy Wright, Geologist
  - MSc in Earth Science, ETH Zurich

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## Fund Features

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
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<tbody>
<tr>
<td>Asset Manager</td>
<td>Banca Credinvest SA, Zurich</td>
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<td>Investment Advisor</td>
<td>Marmite Capital AG, Zurich</td>
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<td>Fund administration</td>
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<td>Custodian bank</td>
<td>NEUE BANK AG, Vaduz</td>
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<td>Information</td>
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<td>Website</td>
<td><a href="http://www.ifm.li">www.ifm.li</a>, <a href="http://www.lafv.li">www.lafv.li</a></td>
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<td>Security number</td>
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<td>Management fee</td>
<td>1.5% p.a.</td>
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<td>Performance fee</td>
<td>20% with 5% hurdle rate and high water mark</td>
</tr>
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</table>

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World Economic Trends

The world economy is driven by the progressing demographic change – in the west by ageing of the society – and by higher quality of life in the less developed economies. Latter leads to an explosion of consumer spending (excess demand).

- Demographic change (older and more urban) – increasing life expectancy, lower birth rates
- Food demand to increase until 2030 + 50% (Meat + 85%)
  - More efficient cultivation of available agricultural land (fertilizer)
- Until 2030 emerging economies will account for 2/3 of global demand

Based upon above, following themes offer attractive long-term returns:

- Emerging markets
- Energy, Metals, Agriculture, Water

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Driver of Higher Commodity Prices

**Demand**

- Industrial development and urbanization in emerging countries (China, India, Indonesia, Brazil, etc.)
- Population growth
- Infrastructure programs (the new silk road, USA)

**Supply**

- Resource depletion
- Lower ore grades
- Nationalization
- Tightening environmental regulations
- Geo political risks
- Investment gap, few huge projects available

«Supply disruption» the biggest risk to price increases

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Wealth Transfer

China 9% to 24% Global GDP
India 2% to 10%
US 24% to 12%

Sources: IMF, Standard Chartered Research

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Infrastructure Programmes – The New Silk Road

- 65 countries
- 70% of the world population
- Demand for coal, iron ore, copper & petroleum
Commodities areCheap
Bull or Bear Market?

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Copper – Significant Supply Deficit

Expecting continued decline in average mined ore grade\(^1\)

- Grade ↓ by 19% since 2000
- Further 17% ↓ by 2025

Significant copper supply deficit expected to emerge later this decade\(^1\)

- Peak production next year
- 2% p.a. supply reduction thereafter

\(^1\) Based on average grade weighted by paid copper.

Source: Wood Mackenzie; BHP Billiton analysis.
Gold Price

Reasons for gold investments

- Inflation protection – Strong money supply expansion
- Strong demand from Asia (rising income per capita)
- Competitive currency devaluations positive for gold
- Supply constraints – Fewer new exploration success
- Rising marginal cost of production (>1100 USD/ounce AISC)
- Higher entry barriers – permitting, cost inflation
- Geopolitical instability – many trouble spots globally

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2018 – A Year for Gold?

Will There Be a “Fed Rally” in 2018?

*Past performance does not guarantee future results.*

*Source: Bloomberg, U.S. Global Investors*
Gold - «Flat» is the new growth

The gold industry has undergone a deep restructuring, now focussing on cost and profitability.

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Gold – Technical Analysis

[Charts and graphs showing gold price trends and technical analysis indicators.]

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Market Cap of Gold Stocks vs. Single Companies

Market Cap of Popular Stocks vs. Annual Gold Supply

Data as of February 2016
Gold price: $1,200 per ounce

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Reasons for oil investments

- Oil is today viewed as a strategic asset, not only as a commodity
- Declining oil reserves
- Expensive production, obsolete infrastructure
- Biggest reserves in countries with political instability
- Strong demand from Asia (Industrialization in China and India)
- Capacity constraints – fewer new exploration success
- But: E-Mobility as a long term threat?
Long Term Oil Demand

Source: IEA
E-Mobility

Figure 3: Annual global EV sales by market

Jede E-Auto Batterie braucht etwa 10 kg Lithium, 38 Kg Kupfer sowie 11 kg Kobalt und 11 kg Nickel. Generell gilt, je sauberer die Energie welche hergestellt wird (Solar, Wind), umso mehr Kupfer wird benötigt

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Metals Demand Related to E-Mobility

Figure 13: Global lithium-ion and materials demand forecast from EV sales, 2015–2030 (thousands of tonnes, GWh)

Source: Bloomberg New Energy Finance
Development of % Share of Primary Energy

Shares of primary energy

- Oil
- Coal
- Gas
- Hydro
- Nuclear
- Renewables*

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