



# INVESTING IN JUNIOR MINING COMPANIES

CHALLENGES AND HOW TO MITIGATE RISKS



# INCOMET AT A GLANCE

Combining a holistic view and experience in junior mining development and investments



Incomet Capital is the investment manager of a global mining fund targeting listed and private mining investment opportunities with a focus on junior mining companies



The team has extensive knowledge in geology mining, and financial markets with senior roles in:

- Mining and exploration operations
- Sustainability and ESG
- Investment banking



Incomet Advisory is a consulting firm specialised in Mining and Environmental Social Governance



ANS Exploration is a private company established to systematically explore the mineral potential of the Arabian Nubian Shield



# KEY CHALLENGES FOR MINING INVESTORS

1

**TIMING**

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2

**MOTIVES**

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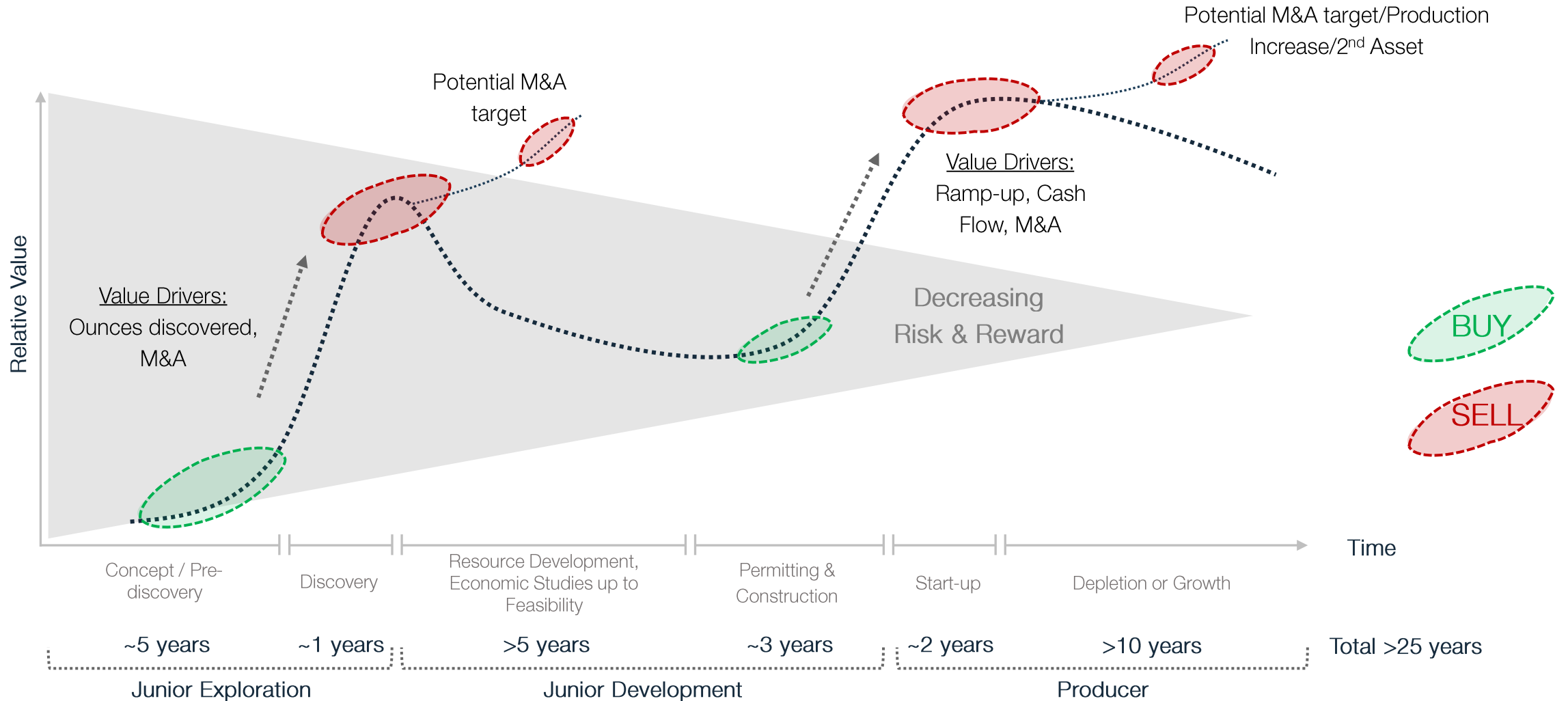
3

**INCENTIVES**



# KEY CHALLENGES FOR MINING INVESTORS

## Matching Mine Life Cycle and Investment Horizon



# KEY CHALLENGES FOR MINING INVESTORS

TIMING

2

MOTIVES

INCENTIVES



# KEY CHALLENGES FOR MINING INVESTORS

Motive should be to apply high(est) industry standard to succeed

Significant and ongoing Capital Requirements



Systematic and industry-leading approach

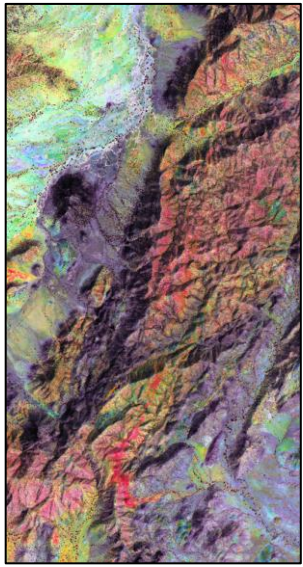
Companies have an inherent tendency to take 'short-cuts' as availability of high-risk capital is the limiting factor

A state-of-the art exploration program can reduce exploration risk and an industry standard project development reduces delays and overruns

Balancing a field of tension

# KEY CHALLENGES FOR MINING INVESTORS

## Technically Challenging – Exploration Process



Remote Sensing, Known Occurrences, Public Geoscientific Data

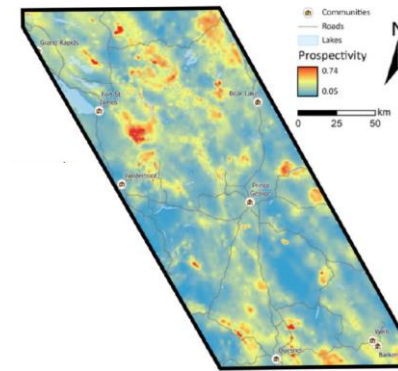
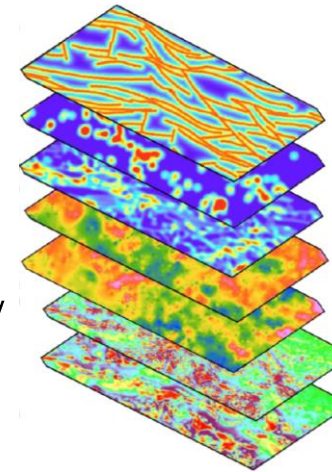
- Host Rock & Fertility
- Alteration Maps (e.g. Sericite Index)
- Local Lithology
- Regional Geology
- Mineralization Style
- Rock Age & Deposit Type
- Distance from deep seated structures
- Fault Density & Amount Intersections
- Major Belts
- Lineaments
- Ore & Pathfinder Anomalies
- BLEG
- PCA & Element Grouping
- Geochem. Mineral Probability Index GMPI
- Magnetics (Airborne; Detailed ground)
- Gravimetry
- Gravity
- Electromagnetics (VLF-EM)
- Remote Sensing (artisanal, alteration etc.)

Geology

Structural Geology

Geochemistry

Geophysics



Drilling of high priority targets  
“Truth Machine”

Large-scale Targeting

Reconnaissance & Prospecting

Mineral Potential Model

Prospectivity Map with targets

Target Generation  
~1-3 years

Target Definition  
~1-3 years

Drill Ready Targets  
~1 years

Time  
~2-5 years

# KEY CHALLENGES FOR MINING INVESTORS

Technically Challenging – Investing in the best exploration team and understanding results is key

Odds of picking the right team:

< 10%

~1,300 (2021)

~50-100

Number of experienced and successful teams

Listed Gold Exploration Companies

The team is likely to make a major discovery (>2moz), if:

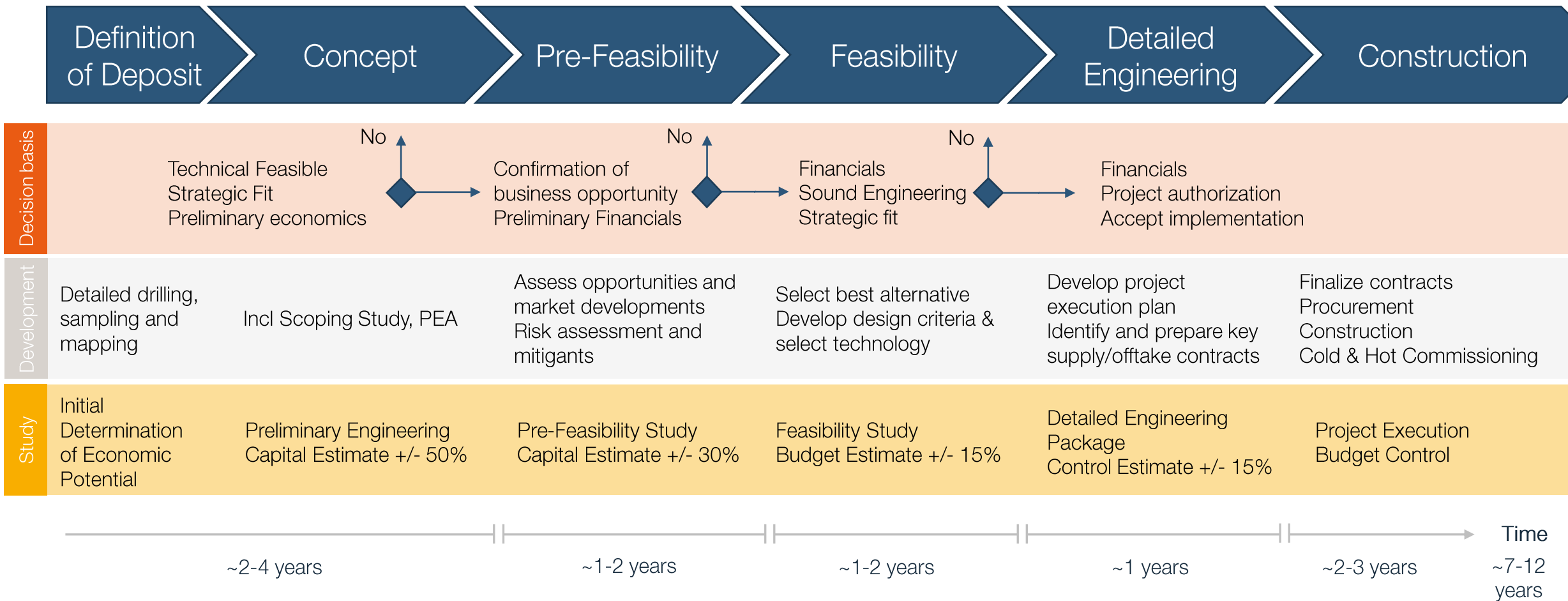
Initial Drill Program	At least one GT* intersect
< 5,000m	75
> 10,000m	>100-150

\*GT = Grade x Thickness



# KEY CHALLENGES FOR MINING INVESTORS

## Technically Challenging – Project Development

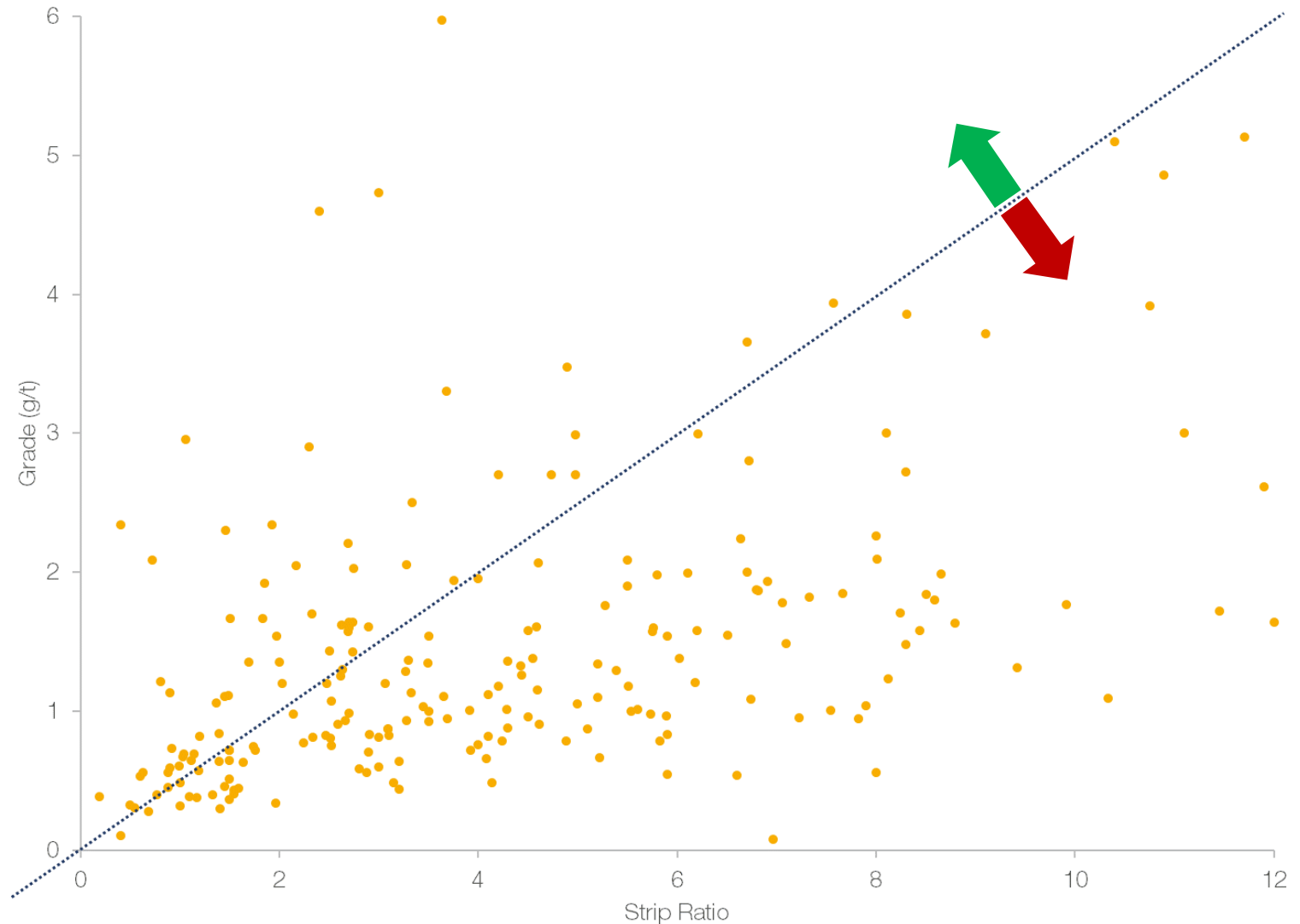


# KEY CHALLENGES FOR MINING INVESTORS

Technically Challenging – selecting the most economic projects is key

- 1. Understand the development schedule of a company
- 2. Question short-cuts to the industry-standard
- 3. Track company timelines and ask management for reasons of delays and changes in plan.
- 4. Use rule of thumbs or easily identifiable red flags to avoid projects with higher risk of failure. Example:

0.5 g/t Reserve Grade per 1x Strip Ratio



# KEY CHALLENGES FOR MINING INVESTORS

Biggest challenges, what to look out for and how to mitigate investment risk

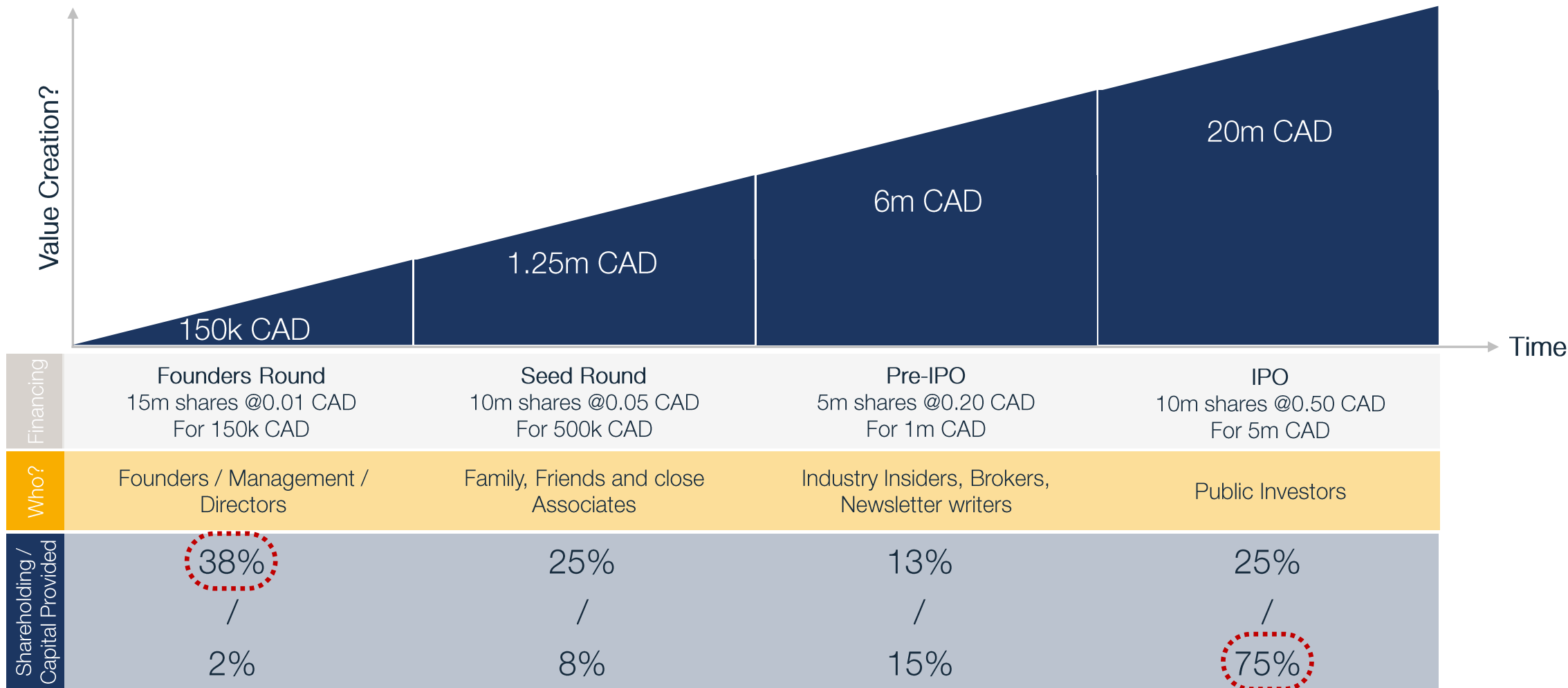
TIMING

MOTIVES

**3** INCENTIVES

# KEY CHALLENGES FOR MINING INVESTORS

Alignment with Shareholders



# KEY CHALLENGES FOR MINING INVESTORS

## Remuneration and use of risk capital

Income Statement Examples

Expenses	
Bank charges and interest	15,472
Consulting and management fees	1,121,522
Depreciation	34,393
Directors' fees	40,000
Exploration and evaluation expenditures	5,746,719
Filing fees	176,731
Insurance	41,493
Meals, entertainment and travel	50,009
Marketing and investor relations	2,906,128
Office expenses	99,021
Professional fees	855,935
Project investigation	-
Share-based compensation	1,613,429
Shareholder information	38,696
	(12,739,548)

### Operating Expenses

General and Administrative Expenses	
Salaries (note 6)	\$ 245,809
Consulting fees (note 6)	80,000
Professional fees	108,595
Marketing	170,644
Travel	228
Filing and agency fees	40,633
Foreign exchange	854
Office and administrative expenses	81,962
Stock-based compensation (notes 6 and 7)	180,600
Interest expense	24,464
<b>Total General and Administrative Expenses</b>	<b>933,789</b>
<b>Exploration and evaluation expenses (note 4)</b>	<b>501,241</b>
<b>Net loss</b>	<b>(1,435,030)</b>

Observations

Marketing, Consulting Fees & Compensation  
>  
Exploration expenditures

G&A  
=  
2x Exploration expenses

# KEY CHALLENGES FOR MINING INVESTORS

**TIMING**

**MOTIVES**

**INCENTIVES**

# KEY CHALLENGES FOR MINING INVESTORS

## Conclusion

### 1. Select management teams

Experienced and successful in exploration and development, motives need to be clear, and incentives to be set correctly.

### 2. Build a portfolio

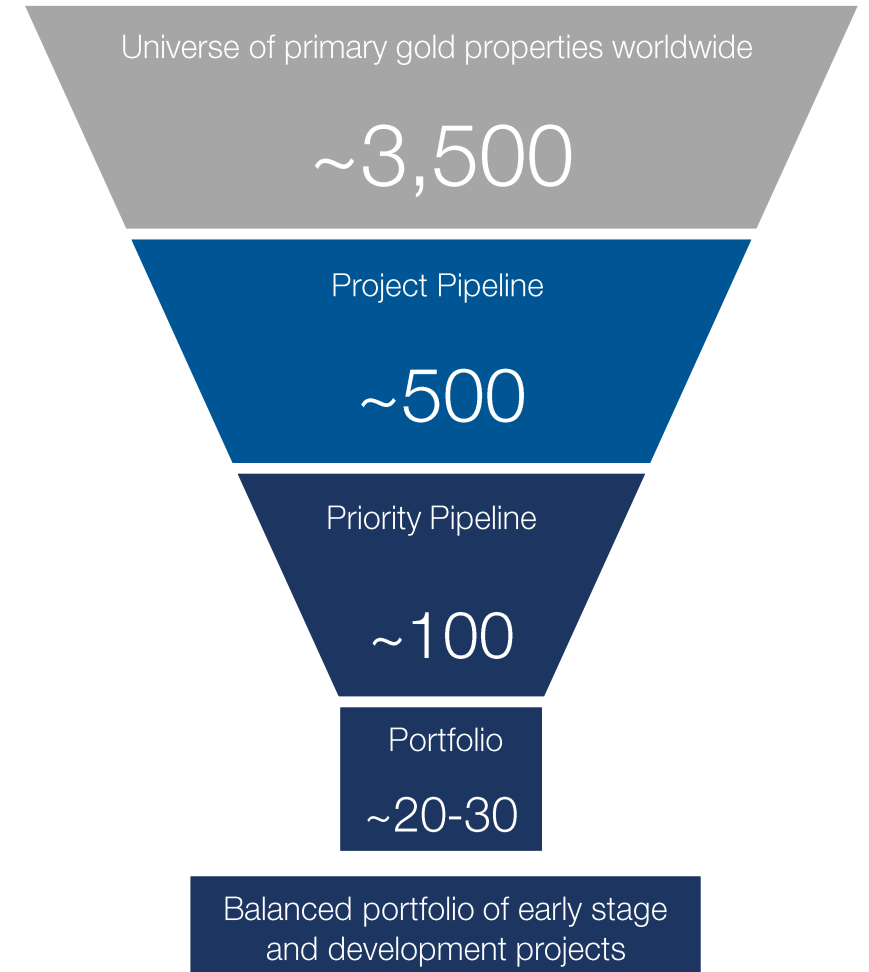
Instead of investing in a few junior mining companies, build a portfolio. Choose a variety of companies who are at different stages in the mine life cycle. Many will fail and few will succeed.

### 3. Monitor the stocks

Once you are invested, keep an eye on your stocks. Stay up to date with company announcements and press releases.

### 4. Have an exit plan

As soon as you invest, have a plan for when you're going to sell. Match your investment horizon to the mine life cycles.



# Junior Mining Company Questionnaire

GENERAL COMPANY INFORMATION	PROJECT DETAILS	EXPLORATION	Mining & Processing
Top Jurisdiction (Fraser Ranking)	Asset History	Geophysics	Preliminary PFD available (Process Flow Diagram)
Business Model (Explorer, Developer, Project Generator, Prospect Generator, Life-Style Company)	All Year-Round Exploration Access	Geochemistry	Met Test Work
Brownfield Asset	Town/ City close by	Structural Geology	Gravity
Large Land Position/ Exploration Potential	Camp required – established?	Geology	Leaching
% of Land explored (discovery potential)	Road Access	Regional Geology understood	Flotation
District Scale (& ownership belt >250km <sup>2</sup> )	Water Access	Local geology mapped (Lithology)	Core Samples used
Within Existing Gold Belt - other companies?	Power on Site	Mineralization style	Bulk Sampling
Tier 1 Project close by - peers close by?	Project Topography (steep vs. Flat)	Mineral Deposit Type	Composite / Variability Samples
First Mover Advantage	Annual Rainfall (rain season, flooding)	Alteration Mapped	Clay & Fines (Leaching)
Insider Management [%]	Location Core Shack - close by?	Fertile Host Rock (close by occurrences)?	Head Grade
Mining Titan Shareholder	Drilling / Exploration Season	# Exploration Targets identified	Overall Recovery
Institutional Strategic Shareholdings	Local Drilling Contractor available	# Targets tested so far	Heap Leach Potential
Gold Producer Shareholder			Free Milling (gravity recovery)
Market Cap			Refractory Gold
Last Financing (before or after program/event)		Oriented Core	Oxide Ore Only
Dilution - development shares outstanding	<b>PERMITTING &amp; COMPLIANCE</b>	Discovery Hole (best drill hole on the initial program)	Thickness Transitional Ore
Management participation last financing?	Exploration Licence granted (Terms & Obligations)	Best Intersection GT (Grade * Thickness) (>100)	Clear boundaries between ore horizons
Cost Basis Management Shareholding (IPO)	Drill Permits - Operations Permit	UpToDate Program (meters drilled)	Sulphide potential
Insider Selling last 12 months	Bulk Sample Permit	Average Grade	Open Pit potential
Warrants & Options (strike price & due date)	Sufficiency of Surface Rights	Average Length of Intercept	Starter Pit planned
Total Cash (incl equivalents)	Earn-In Agreements	Average Intercept Grade	Block Model Available
G&A Cash Burn p.a. (incl. holding cost)	Social Engagement/Development Plan	Average Drilling Depth	SR Rule of Thumb: 1 SR for 0.5 g/t Au
Total Liabilities	Social Licence to operate / community Risk	Average Metal Factor (GT)	
Ownership (controlling)	Environmental Liabilities	Vein Width (min mining width 3m)	
Secondary Assets - value generating?	EIA / Baseline Studies submitted	Strike Length	<b>M&amp;A Criteria</b>
JV Structures	Sustainability Policies in place	VG	Global Resource Asset (>3 moz M&I Resource)
Royalties	Best Practices and Codes followed	Mineralization Structural Controlled	Mine Life (min 10a)
Flagship Project Stage		Dipping Angle (consider pit slope)	Production p.a. (>125k ozpa)
# of Analysts		Feeder identified	IRR (>25% @ 1500 Au)
Geographic Focus Management		Dikes or Plutons near by	AISC (<1100 \$/Oz)
Experienced Board of Directors		Technical Presentation available	Capital Intensity (CAPEX \$ / Oz production pa: <1500)
Track Record - historic gigs?			Project Finance possible (equity component feasible < market cap)



**Incomet**



**THANK YOU**

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