



Sprott Capital Partners

An investment perspective: How the government can support mining in Greenland

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2 March 2020

Sprott

Introduction

The Spratt Group

US\$11B in AUM⁽¹⁾

Brock Salier: equity analyst at Spratt Capital Partners

- PhD in economic geology
- Worked in mining finance for 15 years
- Followed development of mines in many countries
- Familiarity with Greenland since first visit in 2010
- Watched gemstone, mineral sands, REE and base metal developments since

Exchange Listed Products	Managed Equities	Lending	Brokerage
<ul style="list-style-type: none"> • ~\$8B AUM • Physical Bullion Trusts (NYSE Arca Listed) • Gold Mining Equity ETFs (NYSE Arca Listed) • Closed-End Value Strategy (NASDAQ Listed) 	<ul style="list-style-type: none"> • ~\$2.5B AUM • Multiple precious metal equity strategies • Recently acquired Tocqueville gold strategies and investment team • Flagship U.S. mutual fund is Spratt Gold Equity Fund 	<ul style="list-style-type: none"> • ~\$0.8B AUM • Bespoke credit investments to mining and resource companies • Cohesive team of credit and financing experts • Long dated streams and royalties 	<ul style="list-style-type: none"> • Capital raising and advisory services to natural resource companies • Wealth management services for individual investors in the U.S. and Canada

Recent financings for high-latitude and emerging mining jurisdictions

Public Offering	Private Placement	Public Offering	Public Offering	Public Offering	Private Placement
 <p>EMERALD RESOURCES NL</p>	 <p>Sabina GOLD & MINERAL CORP.</p>	 <p>WHITE GOLD CORP</p>	 <p>Sabina GOLD & MINERAL CORP.</p>	 <p>TMAC RESOURCES</p>	 <p>Alphamin RESOURCES CORP.</p>
<p>A\$75.0 million Co-Lead Mar 2020 (Exp)</p>	<p>A\$25.0 million Co-Manager Oct 2019</p>	<p>C\$15.0 million Underwriter Oct 2018</p>	<p>C\$25.3 million Underwriter Dec 2018</p>	<p>C\$23.6 million Underwriter Sep 2018</p>	<p>C\$56.0 million Co-Lead Jan 2018</p>

⁽¹⁾ Preliminary unaudited AUM estimate as of Jan. 17, 2020.

What makes a country attractive to mining investors

- Mining needs to demonstrate a return on capital, with constrained timelines
 - Debt and equity investors have many choices
 - Greenland must 'outcompete' other countries to attract
- A flexible fiscal scheme to reflect country and project strengths and weaknesses
 - High-margin 'easy' project can support higher fiscal burden
 - Many other projects lower margin to investor cannot support
- A visibly supportive government
 - Proactively support industry: not just talk!
- Clear regulatory framework and permitting
 - Codified rules, regulations, and processes
 - Defined timelines
- Precedent of successful mine development is hugely beneficial
 - Attracting investors for 'first mine' is always the most difficult
 - Need to consider additional protections for first movers

First western mine financings: Cambodia and Bosnia

Cambodia: Emerald Resources / gold mine

- Sprott invested US\$60m debt, raised US\$50m equity, invested US\$5m equity
- First western mine funded in Cambodia
- Challenges: perception / ‘first mine fear’
- How did government help investment:
 - **Fiscal code:** 100% ownership, 3% royalty, 30% tax, 5 year tax reduction, withholding tax holiday
 - **Infrastructure:** government funded power line to site *and* adjoining town
 - **Open access** to ministry, embassy and legal experts: face time is key
 - **Community upside:** government distributes portion of royalty to local community
- How did the miner help:
 - **IFC audited EIA** to adhere to Equator Principles, IFC audit helped up-skill permitting authorities
 - **Introduced bonding:** issuer worked with government to roll out first bonding
- The key: **fiscal stability agreement**
 - International arbitration rights, import duty exemption, creditor protection / step in rights
 - Stability clause in event of change in law

Bosnia: Adriatic Resource / Zn-Cu-Au-Ag mine

- Sprott assisted A\$35m equity raise, and is material equity holder
- First western mine funded in Bosnia
- Challenges: perception / ‘first mine fear’
- How did government help investment:
 - **Fiscal code:** 100% ownership, 2% royalty, 10% corporate tax
 - **Open access** to ministry, embassy and legal experts: willingness to meet face to face is key
 - **Timely permitting:** minor permits coming on regular and reliable basis
- How did the miner help:
 - **Community commitment:** ongoing dialogue with community, commitment to invest
 - **Best in class environmental:** project designed to remediate old site and develop new site
- What next:
 - Timely mining licence

Investor perspective on Greenland

The challenge

- Extensive dialogue on Greenland mining
 - Less tangible progress
 - Excitement abating, interest wanes
 - = Decline in Fraser institute rankings
- Money invested in evaluating projects
 - No significant development stories
 - Poor precedent...
- Greenland has challenging infrastructure
 - Projects need incentives to offset this in competition for capital
 - Current Government has not established this
 - Clearest indication is limited FDI into mining

The opportunity

- Stable fiscal terms
 - Flexibility on project-by-project basis
 - Evaluation fiscal stability agreements
- Re-open the investing window by lowering barriers to entry
 - Robust regulatory framework
 - Civil service have defined time frame
 - = Rebuilt investor confidence
- Increase investor confidence
 - = increased project valuations relative to peers
 - = Increased investment
- ESG: the glue
 - Community buy-in is critical
 - Best practise environmental critical
 - Happy community = happy government

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