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The Mercenary Geologist's Guide to Investing in Junior Resource Stocks

A Primer for the Lay Investor:

Geology 101

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What is an “Ore Deposit”?

Ore Deposits, Park and McDiarmid, 1975

“Ores are rocks and minerals that can be recovered at a profit.”

Juniors, Metals, and Projects:

The Good, The Bad, and the Butt-Ugly

“At a Profit”

The Good, The Bad, and the Butt-Ugly

- Timeline
- Access to Capital
- Cost of Production
- Exit Strategy

The Good:

- Short Lead Time to Development
- Low Capital Expenditures
- Low Cost Producers
- Multiple Exit Strategies

The Good:

- Open pit heap leach Oxide Gold deposits
- Open pit heap leach Copper Oxide deposits
- Open pit heap leach or ISR Uranium deposits
- Rare Earth Element deposits

Good Gold Deposits

- Oxide
- Shallow
- Open pit
- Heap Leach

Good Gold Deposits

- Volcanic-hosted epithermal deposits
- Sedimentary-hosted gold deposits
- Intrusive-hosted gold deposits
- Greenstone gold deposits

Heap Leach Open Pit Gold Deposit

Dumps, Leach Pad, and Recovery Plant

NW Sonora, Mexico

Volcanic-hosted Epithermal Deposit Southern Armenia

Sediment-Hosted Gold Deposit Northern Sonora, Mexico

Intrusive-hosted Gold Deposit
Baja California Sur, Mexico

Good Uranium Deposits

- Shallow
- Open Pit or In-Situ Recovery
- High Grade Underground

Good U_3O_8 Deposits

- Sandstone-hosted
- Unconformity-style
- Granite-pegmatite hosted

Sandstone Uranium Deposit
Open Pit, Central Wyoming

Sandstone Uranium Deposit
In-Situ Recovery Well-Field, South Texas

Unconformity-style Uranium Deposit Athabasca Basin, NE Saskatchewan

Athabasca Basin High-Grade Uranium
13 meters of 18.12% U_3O_8

Granite-Pegmatite Hosted Uranium West Central, Namibia

Good Copper Deposits

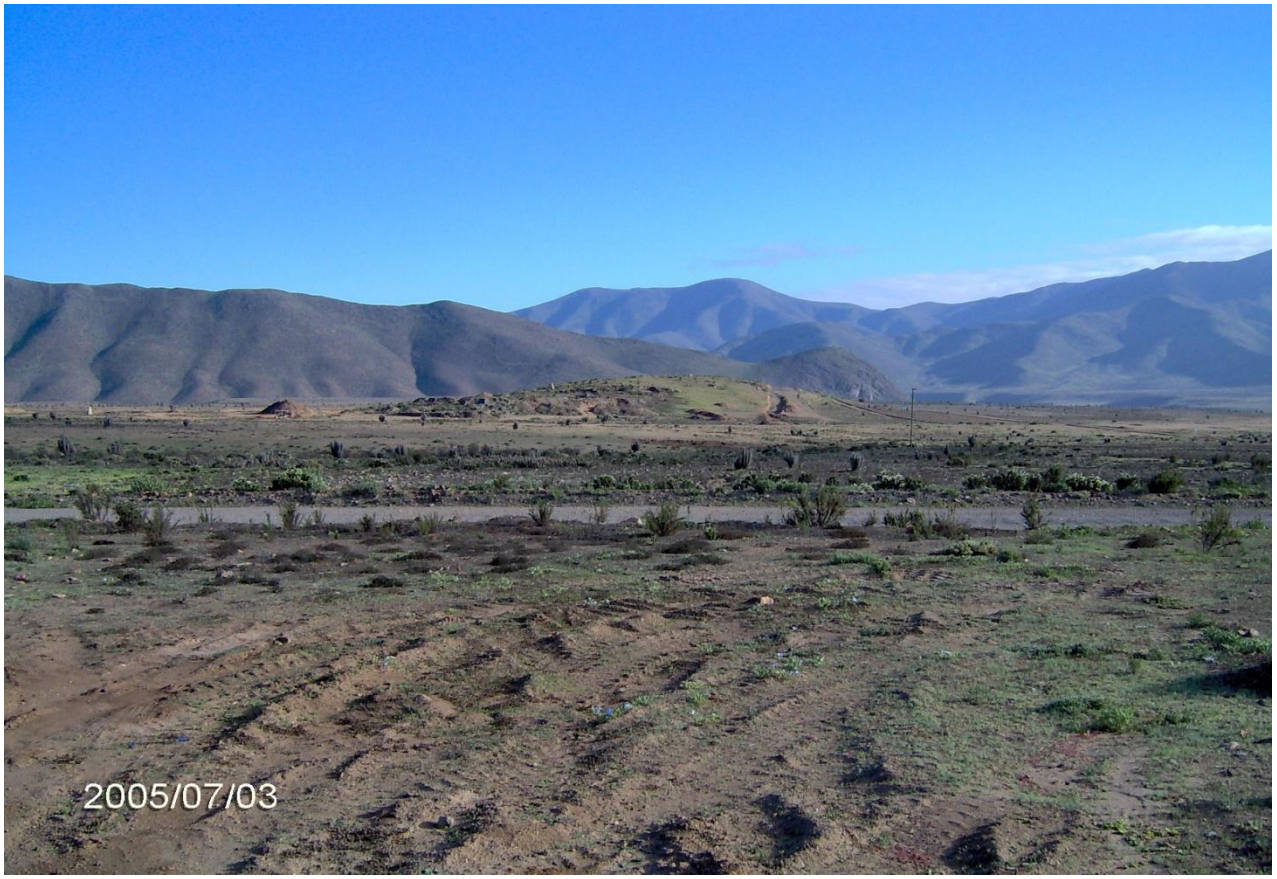
- Oxidized Part of Sulfide Deposits
- Shallow
- Open Pit
- Heap Leach

Copper Oxide Deposits

- Porphyry Copper Deposits (± Mo-Au-Ag)
- Iron Oxide-Copper Deposits
- Sediment-hosted Copper Deposits
- Volcanic-Hosted Copper-Silver Deposits

Oxidized Porphyry Copper Deposit SE Arizona

Iron Oxide-Copper Deposit
Region IV Chile



Sedimentary Copper Oxide Deposit NW New Mexico

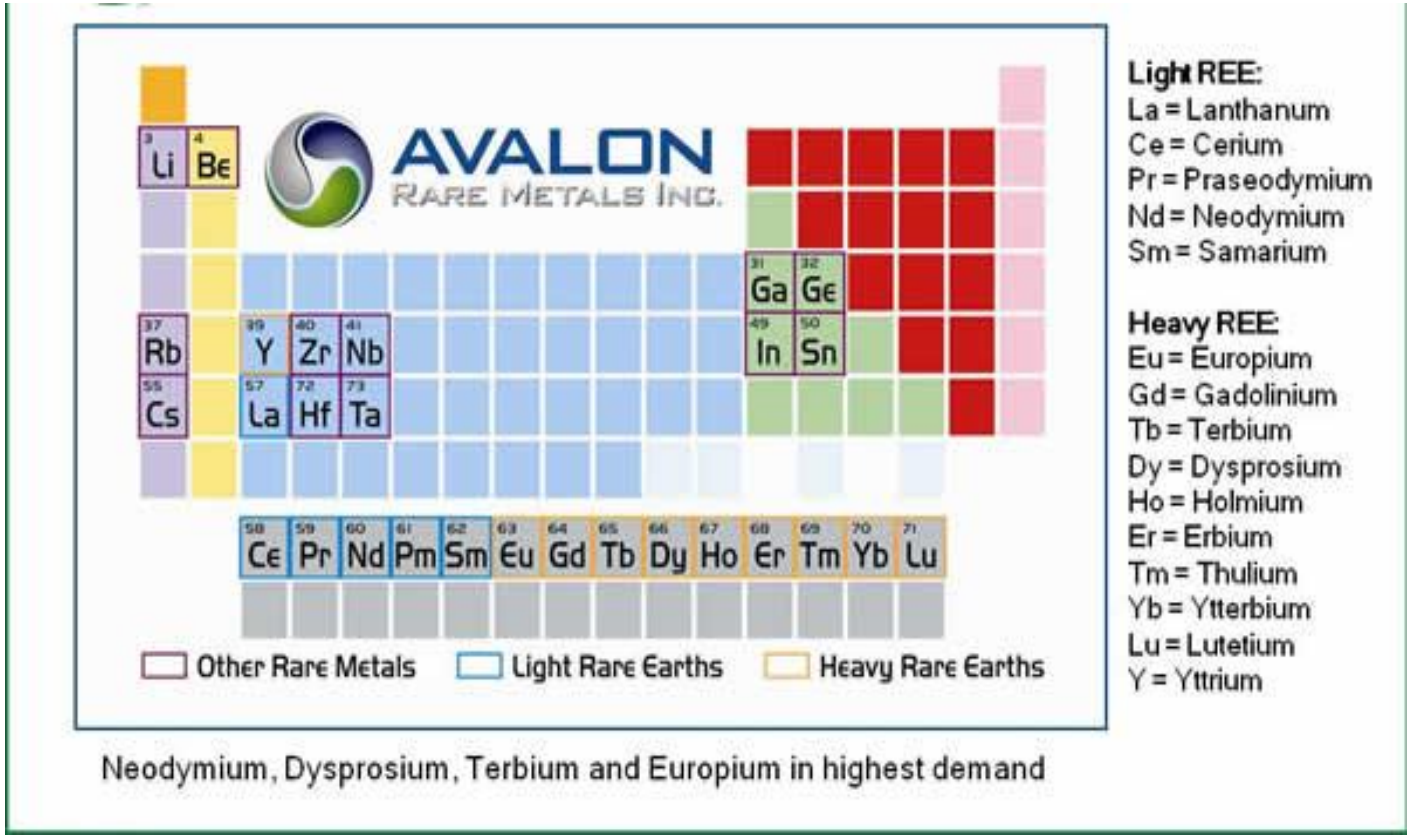
Copper Oxide-Silver Deposit
Mine, Leach Pad, Recovery Plant
Region II Chile

Volcanic-hosted Copper Oxide-Silver NW Haiti

Good: Rare Earth Element Deposits

- China controls world supply and processing
- Domestic demand, exports curtailed
- Supply to North America, Japan, & Europe?
- Deposits in North America & Europe
- Integrated mine to market required

What are Rare Earth Elements? (Not Rare Metals)



Rare Earth Element Deposits

- Carbonatite Host Rocks
  - Enriched in Light Rare Earth Elements (LREEs)
- Alkalic Intrusive Host Rocks
  - Enriched in Heavy Rare Earth Elements (HREEs)

Light Rare Earth Element Deposit
SE California

Light Rare Earth Element Deposit
NE Wyoming

Heavy Rare Earth Element Deposit NWT Canada

Every Good Geologist Knows

That

Grade is King!

Rules of Thumb: Economic Grades

- Open Pit Heap Leach Gold Deposits
- Open Pit Heap Leach Copper Oxide Deposits
- ISR or Open Pit Heap Leach Uranium Deposits
- Rare Earth Element Deposits (LREE, HREE)

Resources and Reserves:

A Primer for the Lay Investor

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What is the Difference?

Mineral Resources vs Mineral Reserves

"At a Profit."

Evaluating a Company for Investment

Mineral Resource:

- Mineralized mass of rock
- Highly elevated content
- Particular mineral commodity
- Compared to Background Abundances

- Often Little or No Economic Input

Junior Resource Companies

- Most Inferred Resources not Upgrade
- Measured and Indicated Resources
- Pre-Feasibility Study
- Proven and Probable Reserves
- Feasibility Study for Financing
- Development and Mining

Junior Resource Companies

- Few juniors achieve mining a deposit
- Fewer succeed at a profit
- Mining is seldom a viable exit strategy

Mining the Stock Market

Mark Twain: Comstock Lode 1865

Virginia City, Nevada

"A mine is a hole in the ground with a liar standing beside it."

Evaluation of Junior Resource Stocks

A Primer for the Lay Investor

Share Structure, People, and Projects

Monday Morning Musings from Mickey the Mercenary Geologist

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