Raising Capital for Junior Mining & Exploration Companies

Dr. Tony Harwood
Disclaimer

This presentation contains certain statements that may be deemed “forward-looking statements”. All statements in this release, other than statements of historical fact, that address events or developments that Montero expects to occur, are forward-looking statements.

"Forward-looking statements" are based on information currently available to Montero and Montero provides no assurance that actual results will meet management’s expectations. Forward-looking statements include estimates and statements that Montero’s future plans, objectives or goals, including words to the effect that Montero or management expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results relating to, among other things, results of exploration, project development, reclamation and capital costs of Montero’s mineral properties, and Montero’s financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as: changes in general economic conditions and conditions in the financial markets; changes in demand and prices for minerals; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with Montero’s activities; and other matters discussed in this News Release and in filings made with securities regulators. This list is not exhaustive of the factors that may affect any of Montero’s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on Montero’s forward-looking statements. Montero does not undertake to update any forward-looking statement that may be made from time to time by Montero or on its behalf, except in accordance with applicable securities laws.

Please consult Montero’s public filings at www.sedar.com for more detailed information concerning these matters.

The information in this presentation is intended for use only by persons resident in jurisdictions where such use is lawful. Nothing in this presentation constitutes, and under no circumstances is to be construed as, an offer or solicitation to purchase securities of, or advertisement for, securities of Montero. The securities of Montero have not been registered under the United States Securities Act of 1933, as amended, or any state securities laws.

The information in this presentation is provided “as is” and without warranty of any kind. Although it is believed to be accurate at the time it is presented, Montero disclaims all liability for any failure to update it. This presentation could include inaccuracies, typographical errors, or out-of-date information, and changes to it may be made at any time without prior notice. You are therefore advised to use the information contained in this presentation at your own risk. This presentation uses the terms "Measured", "Indicated" and "Inferred" Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

The technical information contained in this presentation has been reviewed by Mr. Mike Evans, M.Sc. Pr.Sci.Nat., who is a qualified person for the purpose of National Instrument 43-101 and a consulting geologist to Montero.
What is a Junior?

- Various Definitions
  - From a Prospecting group that have a licence/s for exploration and discovery and feasibility to...
  - A producer usually < 150,000oz gold equivalent per year

- Three Categories
  1. Junior Exploration Company
  2. Junior Development Company
  3. Junior Mining Company
**Junior Exploration Company**

**Who is involved:** Prospector, Geologist or Entrepreneur

**Opportunity:** Develop a “green field” to Discovery & Feasibility

**Acquisition:** Application, Option to acquire or Purchase

**Cash required:** Ranges from $10,000 to $5 million

**Risk Level:** High risk, depends on quality of TEAM & SERENDIPITY

**Shareholders:** Management (?) and high risk investors (F&F)

**Objective:** Discovery with rewards of x20 to x100 cash invested
Junior Developer - Exploration to Mining

Who is involved: Geologist, Engineer or Entrepreneur

Opportunity: Feasibility Study to a Mining Stage

Acquisition: Exploration success, Option/Purchase from holder

Cash required: Ranges from, $ 10 million to $ 100 million

Risk Level: Medium risk, depends on the quality TEAM & PROJECT

Shareholders: Management & medium risk investors (Funds)

Objective: Development rewards shareholder x10 cash
Junior Mining Company

Who is involved: Engineer or Entrepreneur

Opportunity: Expansion of an existing operation

Acquisition: Feasibility success or Buys from a third party

Cash required: Ranges from $ 10 million to US$ 100 million

Risk Level: Low risk, depends on the quality of TEAM & PROJECT

Shareholders: Management (?) and low risk investors

Objective: Development reward shareholder x2 cash or dividends
What is the Role of a Junior?

Main role is to “make money for its shareholders” through

1. Sale/Purchase by Larger Mining Company
   - Purchase by Major’s or Mid-tiers that need to replace reserves
   - Depressed prices today means its cheaper to buy an operating mine or development project than to do it from scratch

2. Share Price Appreciation
   - A natural tendency is to grow by development and operation with increase in value and share price. Good juniors mature into larger mid-tiers. Very few do this! DOES THE TEAM EVOLVE?
Characteristics of Juniors

- Entrepreneurs used own money to start a company. Leaving comforts of a stable job for the risk of ownership

- Target projects that have significant potential for value creation

- Management team with strategy to deliver a value outcome

- Low Operating Cost
  - Small skilled management teams
  - Low overheads and minimal bureaucracy
  - Energy & drive to achieve an outcome

- Focus on making a return
Reasons for Raising Capital

- **Capital Required:**
  - Make a discovery costs money
  - Developing a discovery into an operating mine
  - Initial shareholders capital is limited and to share risk
  - More cash required from exploration, feasibility, development to operation

- **Information Required:**
  - Licence/tenure and exploration programme with budget to
  - Bankable Feasibility Study with Capex, Opex, NPV, ROI and IRR

- **Milestones & Budgets:**
  - Expertise devolves from management team to
  - Consultants sign-off on Compliant Reports mandatory for investors
Types of Capital

- **Equity (Issue Shares)**
  - High net worth individuals/family trusts/crowdfunding
  - Private Equity, Development Corporations, SOE’s, Majors
  - Stock Exchanges - Public listing offering via IPO

- **Debt (Lend Money)**
  - Banks
  - Sovereign Wealth Funds
  - Local and International Development Funds
  - Metal Traders, refineries/smelters

- **Hybrids (convertible loans/debentures, off-take, streaming)**
Choices in Raising Capital?

- Junior Development & Mining Companies have choices:
  - Borrow
  - Issue bonds
  - Issue shares
  - Pre-sell future production

- Junior Exploration Companies have ONE choice:
  - Issue shares - Private (F&F/PE) or Public (IPO/RTO)

Advantage of issuing shares: No pay-back of capital or interest payments. Funds received to finance Company and Projects

Exploration is Risky: Shareholder may loose all the investment
TSX-V Cash Raised from Financing – Top 100

$ billions CAD

<table>
<thead>
<tr>
<th>Category</th>
<th>Debt</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>113</td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>142</td>
<td></td>
</tr>
<tr>
<td>Exploration</td>
<td>23</td>
<td>295</td>
</tr>
</tbody>
</table>

Source: PWC IPO Centre
Raising Capital – Why and Who?

- **Capital required:**
  - Discover or build a new mine or
  - Increase production from an existing mine

- **Requirements:**
  - Bankable Feasibility Study
  - Existing production & cash flow

**Borrow Capital** – Banks (Nedbank, Standard Bank, RMB, etc)

**Issue Bonds** – Issued by Major’s and Banks not Juniors

**Issue Shares** – Public (IPO or RTO) or Private (PE or High Net Worth’s)

**Pre-sell Future Production** – Off-take or Streaming Agreement
Understanding Return on Capital

Project
- **Commodity**: Can the product be easily sold
- **Country**: Stability, taxes, insurrection, corruption, skills, infrastructure,
- **Mineability**: Cost to mine, geometry, metallurgy, reserves
- **Profitability**: Will it make money at today's prices (discounted by 20%)?
- **Return on Investment**: How much money will you make the investor?

Team
- **Board**: recognised for bringing independence and skills
- **Management**: has the required skills to achieve the milestones

Milestones
- **Investment**: what cash is required to achieve pre-determined value creating milestones. *Does this make economic sense?*
TSX-V Market Capitalization – Top 5

$ millions CAD

1. Gold Reserve Inc.
   - 2015: 373
   - 2014: 276
   - Change: 35%

2. Roxgold Inc.
   - 2015: 222
   - 2014: 200
   - Change: 11%

3. Reservoir Minerals Inc.
   - 2015: 203
   - 2014: 275
   - Change: -26%

4. Ascot Resources Ltd.
   - 2015: 181
   - 2014: 80
   - Change: 126%

5. NexGen Energy Ltd.
   - 2015: 171
   - 2014: 45
   - Change: 276%

Source: PWC IPO Centre
Raising Capital via a Listing – IPO or RTO

- **IPO**: Initial Public Offering of Shares
- **RTO**: Reverse Take Over – take over a listed company

**Requirements**
- Broker/Sponsor – Brings shareholder cash, research & support
- CPR – Independent Compliant assessment of the project
- Cash Requirements – what it is to be used for
- Legal – tenure, agreements, board, management
- Process - Expensive (Exchange dependent) & Time (3-9 months)

Choose the right Stock Exchange!
Main Stock Exchanges for Juniors

- Toronto Stock Exchange (TSX) & TSX Venture Exchange (TSX-V)
- London Stock Exchange (LSE) & Alternative Investment Market (AIM)
- Australian Securities Exchange (ASX)
- Johannesburg Stock Exchange (JSE) and AltX

- African Stock Exchanges - if international exchanges are tough, Namibian, Botswana, etc. –limited capital but good if your in country
TSX-V Market Capitalization by Stage

$ billions CAD

Production
- 2015: 0.6
- 2014: 1.3

Development
- 2015: 1.7
- 2014: 1.9

Exploration
- 2015: 2.6
- 2014: 4.7

Source: PWC IPO Centre
Tough Times in the Resource Sector

Relative Performance

-100% 0% 100% 200%


Gold
S&P 500
XAU Copper
TSX Gold
TSX-V Market Capitalization 2007 - 2015

$ billions CAD

Source: PWC IPO Centre
Top 100 TSX Juniors: 2015 Summary

- **Summary**
  - Cash is tight
  - Revenue and income are falling with lower commodity prices
  - Financing is incredibly hard to obtain

- **Cash reserves**
  - Dwindling despite steps to reduce spend, cash is running out
  - Cash position fell by 31% since 2015
  - Total cash reserves are at an all-time low
  - Average cash CAD$7 million, down from CAD$10 million
### TSX-V Average Cash – Top 10 & Top 100

$ billions CAD

<table>
<thead>
<tr>
<th>Year</th>
<th>Top 10</th>
<th>Top 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>29</td>
<td>13</td>
</tr>
<tr>
<td>2010</td>
<td>42</td>
<td>14</td>
</tr>
<tr>
<td>2011</td>
<td>37</td>
<td>23</td>
</tr>
<tr>
<td>2012</td>
<td>33</td>
<td>19</td>
</tr>
<tr>
<td>2013</td>
<td>22</td>
<td>12</td>
</tr>
<tr>
<td>2014</td>
<td>27</td>
<td>10</td>
</tr>
<tr>
<td>2015</td>
<td>10</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: PWC IPO Centre
Revenue and Income
- Revenue down 28%, a drop of CAD 195 million

Financing
- Difficult to find new sources of funding
- Cash provided by financing has dropped 27%
- Shareholders’ equity fell by 30%
- CAD$515 million raised in equity in 2015, down 25%
- 74 juniors raised equity, 15 raised 86% of this
- Majority raised <$1 million, most from private placement
Lessons for Listed Companies

- **Project:** A good one, shareholders know the risks, can damage reputation, shareholders value, and ability to raise more capital

- **Milestones:** Value creating and are achievable

- **Cash:** Enough to achieve milestones and NEVER refuse cash

- **Board & Management:** Ability to achieve the goals

- **Strategy:** Project & Company (Exit or go to the Next Stage)
Lessons for Listed Companies cont...

- **Broker**: Provide backing and buying support to support the share price, believes in the company and supplies research.

- **Shareholders**: Good spread between institutions (Funds – long term) and Retail (individuals – short term).

- **News Flow**: Disseminate news, regular road shows, news letters, press releases, telcons and website, Twitter, Facebook etc.

- **Market Forces**: Share price is determined by factors out of your control, metal prices, global issues, country issues, as well as non-technical issues, shit happens...
What Junior CEO’s have to say...

“It’s all about who you partner with. By partnering with the right groups, you can accomplish anything.”

Paul Huet, President, CEO and Director, Klondex on securing funding for the acquisition of Midas Mine

“There’s a certainty in putting companies together with strong financial partners and a good cash balance.”

John Burzynski, President and CEO, Oban Mining on aggregating juniors to improve shareholder value
What Junior CEO’s have to say...

“[We’re] taking a risk-based approach and being very prudent. Looking for the best return, the nearest payback with the least amount of risk, is very key.”

Derrick Weyrauch, CFO, Jaguar Mining on managing the business after a restructure and recapitalization

“You’ve got to find some creative ways to keep moving, without significant dilution.”

Steve Filipovic, CFO, Premier Gold Mines on de-risking project financing through partnerships
Thank you

Montero Mining & Exploration Ltd.

Dr Tony Harwood, CEO
Suite 1128 – 789 West Pender Street
Vancouver, BC V6C 1H2
+1 416 840 9197/+27 11 616 0784

ir@monteromining.com
www.monteromining.com

TSX.V : MON

<< SCAN ME! - 3D Drill Tour of Wigu Hill Rare Earth Project available for view on our Website.
Toronto - TSX and TSX-V

- TSX-V the largest and most important market for Juniors
- Thousands of Juniors listed operating globally
- Accounts for over 80% of mining equity financings
  - Average TSX financing CAD54 million
  - Average TSX-V financing CAD2.8 million
- Brokerage House’s and Banks focussed to the sector
- Sophisticated pool of analysts, experienced bankers, lawyers, accountants and supporting industry specialists
- Development of the National Instrument NI43-101 (helps to avoid FRAUD)
London – LSE and AIM

- LSE is the home of the world's largest Mining companies, Rio Tinto, Xstrata, Anglo American etc.
- Provides companies with profile all the Major Banks
- Destination for the producer rather than explorer/developer
- AIM caters for the junior miner and explorer
- London has historical links with Africa and Russia
- Brokerage House’s and Banks focussed to the sector
- Sophisticated pool of analysts, experienced bankers, lawyers, accountants and supporting industry specialists
- Uses NI43-101, JORC and SAMRAC Codes (helps to avoid FRAUD)
Australia – ASX

- Juniors a major portion of listings on the ASX
- Historically Australian based juniors operating in Asia and Africa
- Focus on equity and debt for Asia and Africa
- Brokerage House’s and Banks focussed to the sector
- Sophisticated pool of analysts, experienced bankers, lawyers, accountants and supporting industry specialists
- Development of the Joint Ore Reserve Committee (JORC) Code (helps to avoid FRAUD)
Johannesburg – JSE and AltX

- JSE the largest exchange in Africa US$ 1 trillion
- Mainly Majors but some Junior operating in South Africa
- Majors - BHP Billiton, Anglo American, Harmony, Anglo Platinum, Anglo Gold, Impala, Exxaro, Gold Fields, ARM, etc.
- Juniors – Pan Africa, Keaton, Wescoal, Jubilee, Petmin, Wesizwe, Afrimat, Coal of Africa, Rockwell Diamonds etc.
- Limited brokerage House’s and Banks focussed to the sector
- Analysts, experienced bankers, lawyers, accountants and supporting industry specialists
- Development of the SAMREC Code (to help to avoid FRAUD)