

A Primer for the Lay Investor

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Evaluation of Junior Resource Stocks

Share Structure, People, and Projects

Projects

Flagship Property:

- Advanced Project
- Commodity
- Location
- Geological Setting
- Potential Metal Content (Size and Grade)
- Geopolitical Environment

Flagship Property

- Commodity
- Location
- Land Position
- Geological Setting
- Producing or Past Producing Mines

Flagship Property

- Drill Holes /Results
- Technical Information (Maps and Sections)
- 43-101 or Historic Resource or Reserve
- Metallurgical Testing
- Environmental or Geopolitical Concerns

Flagship Property

Engineering and Financing:

- Prefeasibility or Feasibility Study
 - Operating Cost
 - Capital Cost
 - Financing: Debt and/or Equity
 - Metal Prices and Recoveries
 - Discounted Cash Flow Analysis NPV / IRR

Mining and Metallurgical Engineering

- Open-Pit: Strip Ratio
- Underground: Waste/Ore, Mining Method, Dilution
- Metallurgical Process and Recovery
- Mine Life and Yearly Production
- Reserves and Resources
- Exploration Potential

Financials

- Operating Cost
- Capital Expenditures
- Royalties
- Short and Long Term Debt
- Quarterly and Year over Year Cash Flow
- Distribution of Profits

Share Structure

- Insiders, “Family and Friends”
- Institutions
- Public Stock Float

- Warrants and Options
 - In the Money
 - Out of the Money
 - Expiry Dates

Share Structure

- Shares Outstanding
- Shares Fully Diluted
- Share Price
- 52 Week, 30 Day, and Daily High/Low
- Liquidity

Share Structure

- Working Capital
 - Cash and Equities
- Long Term Debt
- Short Term Debt
- Recent Financings
 - Proposed, Amended, Closed, Cancelled

People

- Management Team
- Technical Team
- Advisory Board

People: Management Team

- CEO and President, COO, CFO, BOD's
 - Education and Professional Background
 - Experience in Junior Resource Sector
 - Success or Failure
 - Compensation
 - Salaries, Management Fees, Options, Bonuses
 - Technical Expertise: Geologists, Engineers, Financier, Lawyer, Accountant

People: Technical and Advisory Teams

- Chief Operating Officer (Engineer)
- Chief Geologist
- Vice-President of Exploration
- Mining Engineer
- Metallurgical Engineer

- Senior and Junior Geologists and Engineers

Questions for the CEO

- Catalyst: Stock Price Doubles in 12 Months?
- Cause of Flagship Project Failure?
- Investment of Merit Compared to Peers ?
- What have you not told me?

Website

- Professionally Done and Ascetically Pleasing
- Up-to-Date
- Functional Links
- Complete Data Provided
- News Releases with Maps and Sections
- Compare with Peers

Evaluating Junior Resource Companies

- 50% Fail on Flagship Property
 - 25% Fail on Share Structure
 - 15% Fail on Management and Technical Teams
 - 5% Fail on Website Presentation
-
- 95% Fail: Share Structure, People, and Projects

Junior Resource Companies

Share Structure, People, and Projects

- 5% of 1750 Companies
- 85-90 Companies Pass
- Final Test: Undervalued With Respect To Peers
 - Dependent on Timing
 - 20% of 85-90 Undervalued
 - 15-20 Stocks on My Radar Screen

My Investing Philosophy

- Stock Price Double in 12 Months or Less
- Sell $\frac{1}{2}$ of Position
- Cost Basis = Zero for $\frac{1}{2}$ of Position
- Playing with Someone Else's Money
- Reinvest Money in Another Undervalued Stock
- Open Orders to Sell $\frac{1}{2}$ at Double
- Program Selling at Intervals on Uptick

What Makes a Good Mine?

Boom and Bust Commodity Price Cycles:

- Development and Production Timing
- Low Capital Expenditures
- Lowest 25% of Operating Cost Curve

Junior Resource Companies

- Company Evaluation Template
- Due your Own Due Diligence Dude (DYODDD)
- A Day Without Learning is a Day Wasted
- *Buena Suerte, Inversionistas!*

Junior Resource Stocks: A Primer for the Lay Investor

Share Structure, People, and Projects

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