

This is a Painful Year

Flow-through can exacerbate or stem the pain

Prospectors & Developers Association of Canada: Flow-Through Shares Panel, March 2015



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The market is closed for exploration funding

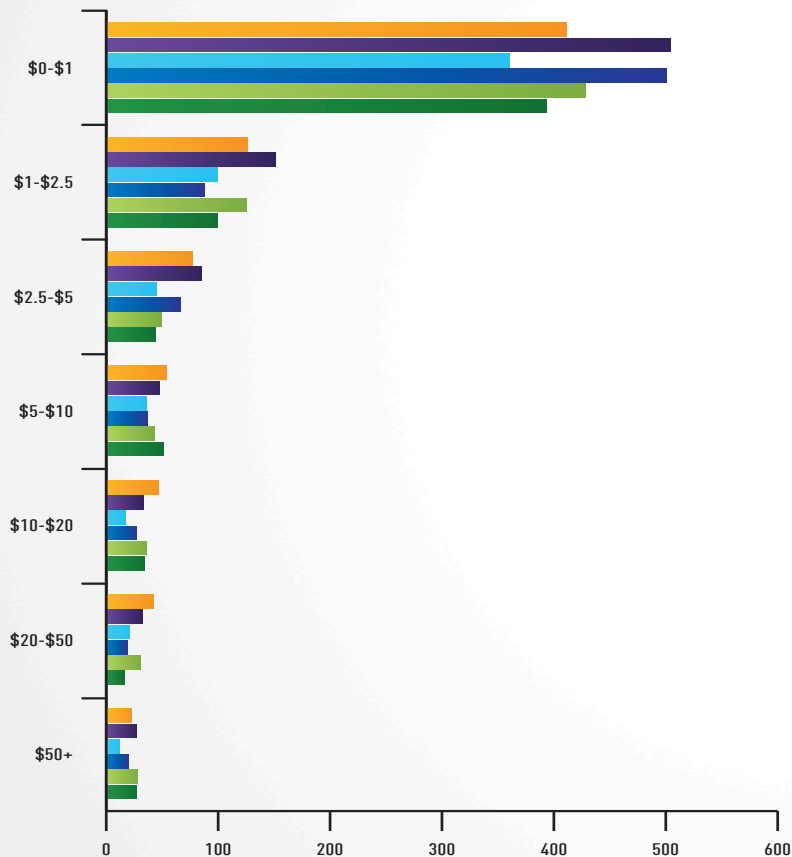
1. Small but meaningful deals are not getting funded.
2. Pre-resource exploration is not getting funded.
3. Investors are nervous and are struggling to imagine, let alone plan for an uptick.
4. Any funding coming in goes to the largest, most developed companies.



Number of Deals & Dollars Raised

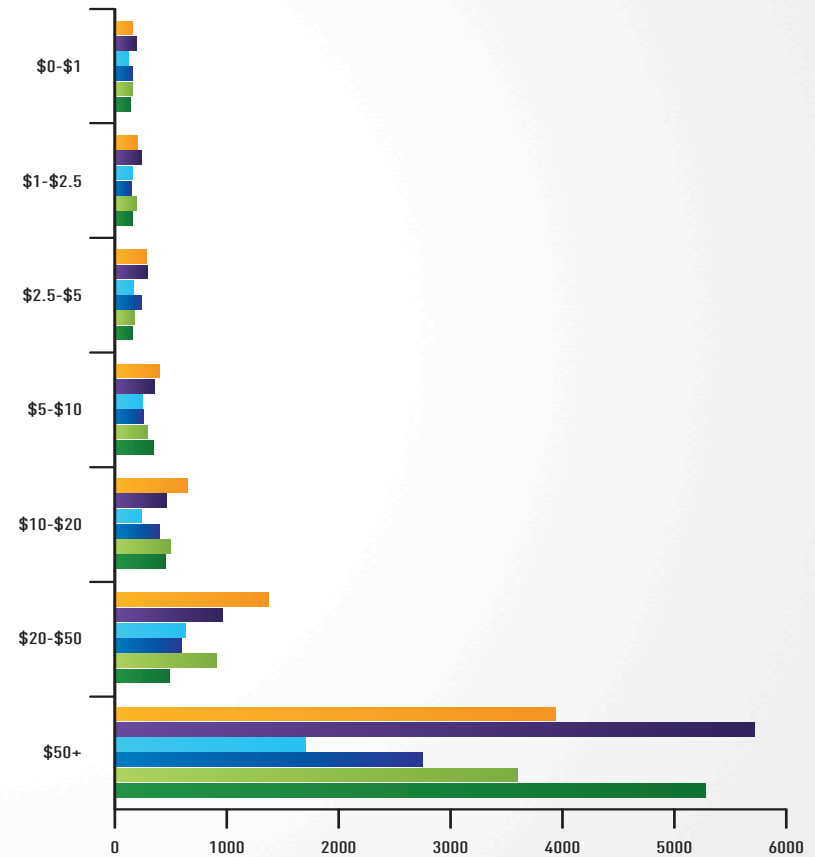
NUMBER OF DEALS BY OFFER SIZE

H1 2012 H2 2012 H1 2013 H2 2013 H1 2014 H2 2014



DOLLARS RAISED BY OFFER SIZE

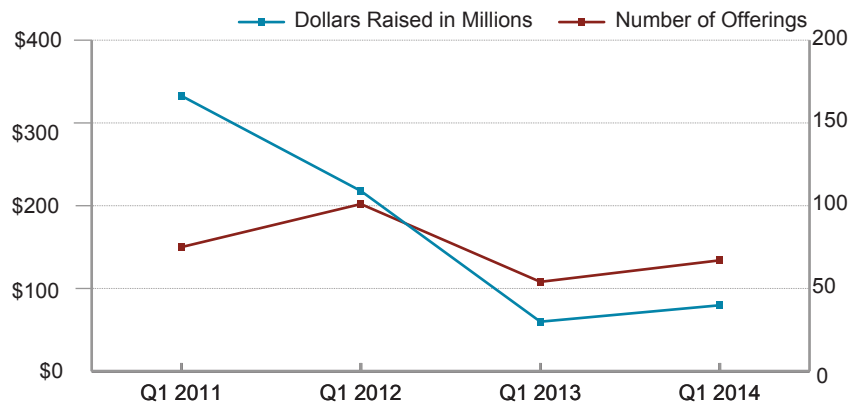
H1 2012 H2 2012 H1 2013 H2 2013 H1 2014 H2 2014



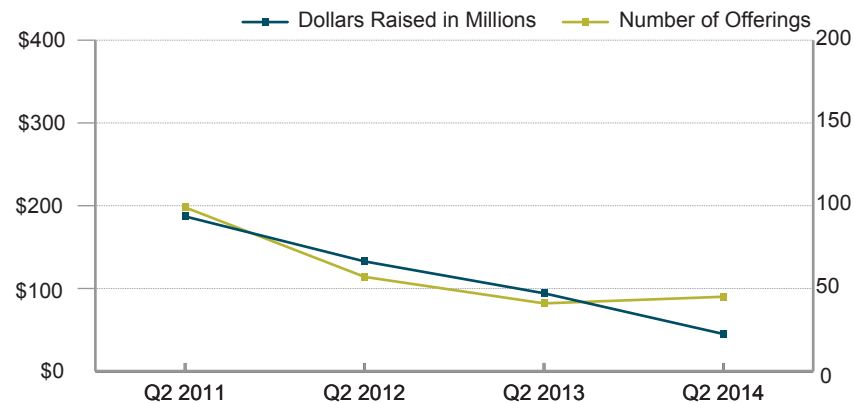
Note: The charts represent all deals in all natural resource sectors closed between January 1, 2012 and December 31, 2014. Dollars listed in million-dollar units.

Quarter Trends: 2011-2014

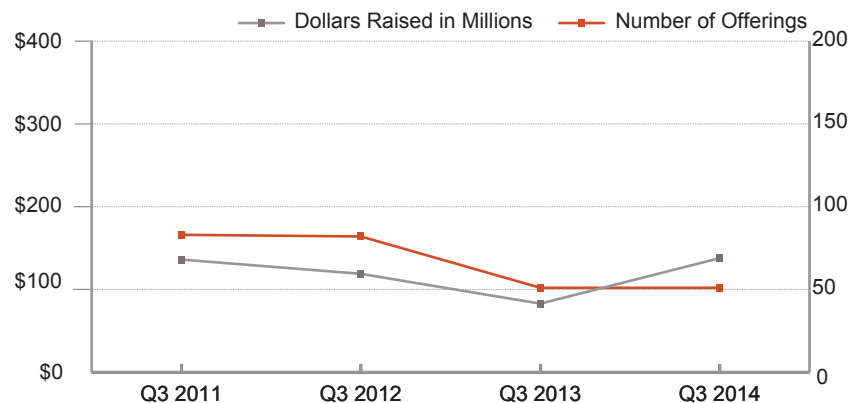
Q1



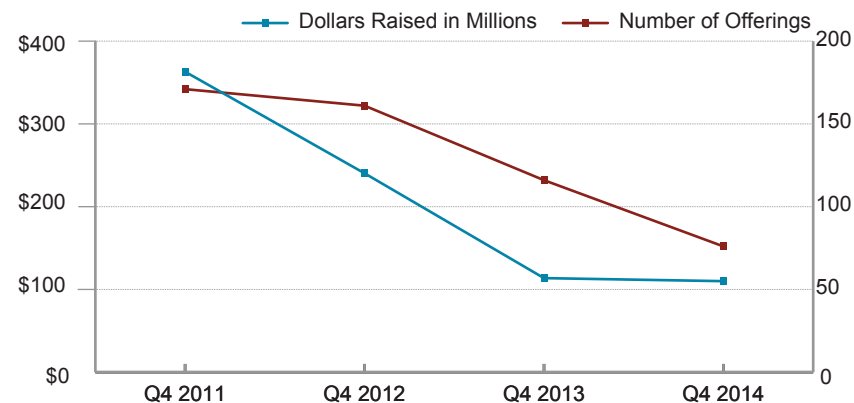
Q2



Q3



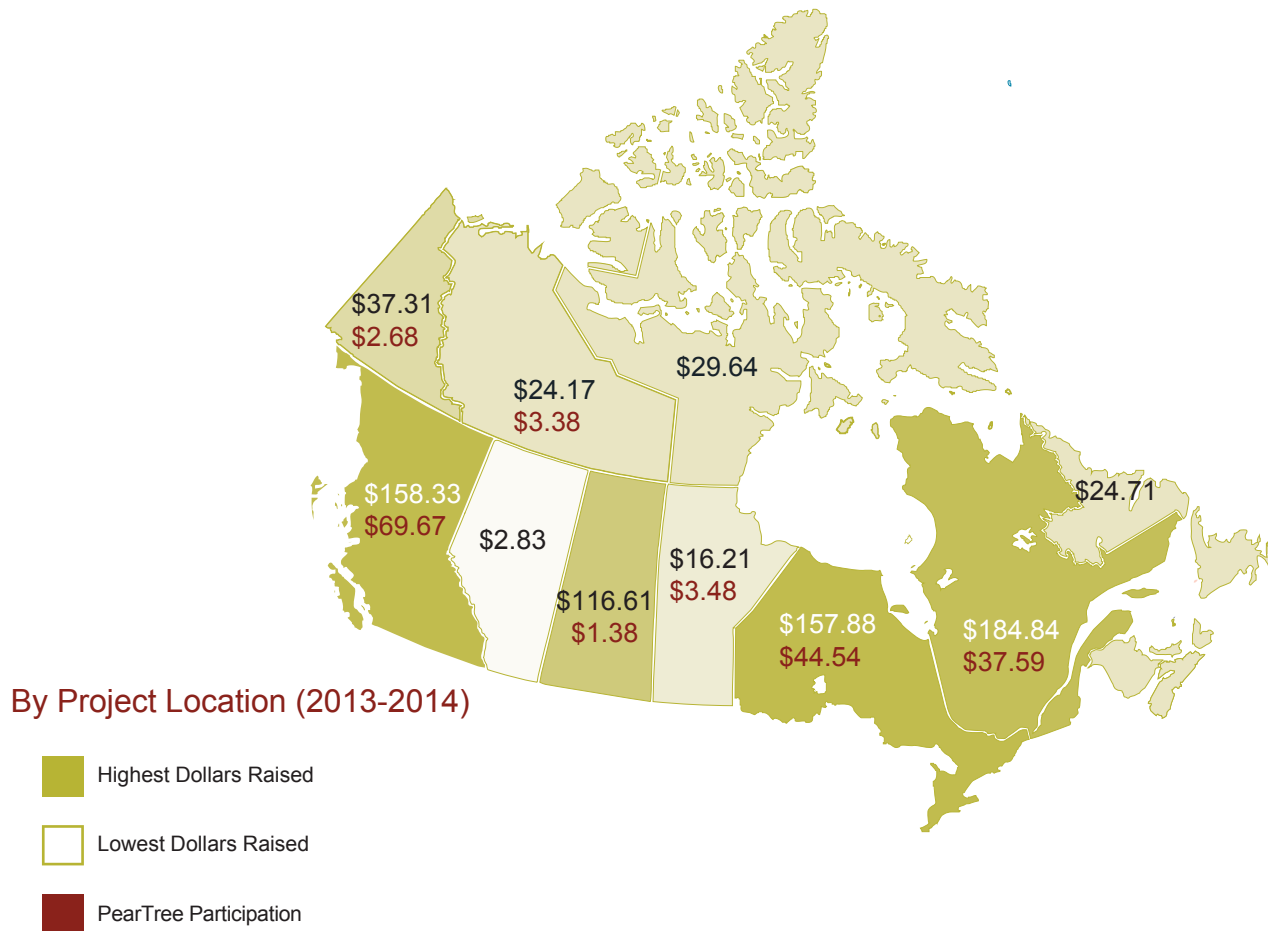
Q4



Note: The charts represent all flow-through financings across all natural resources sectors closed between January 1, 2011 and December 31, 2014.



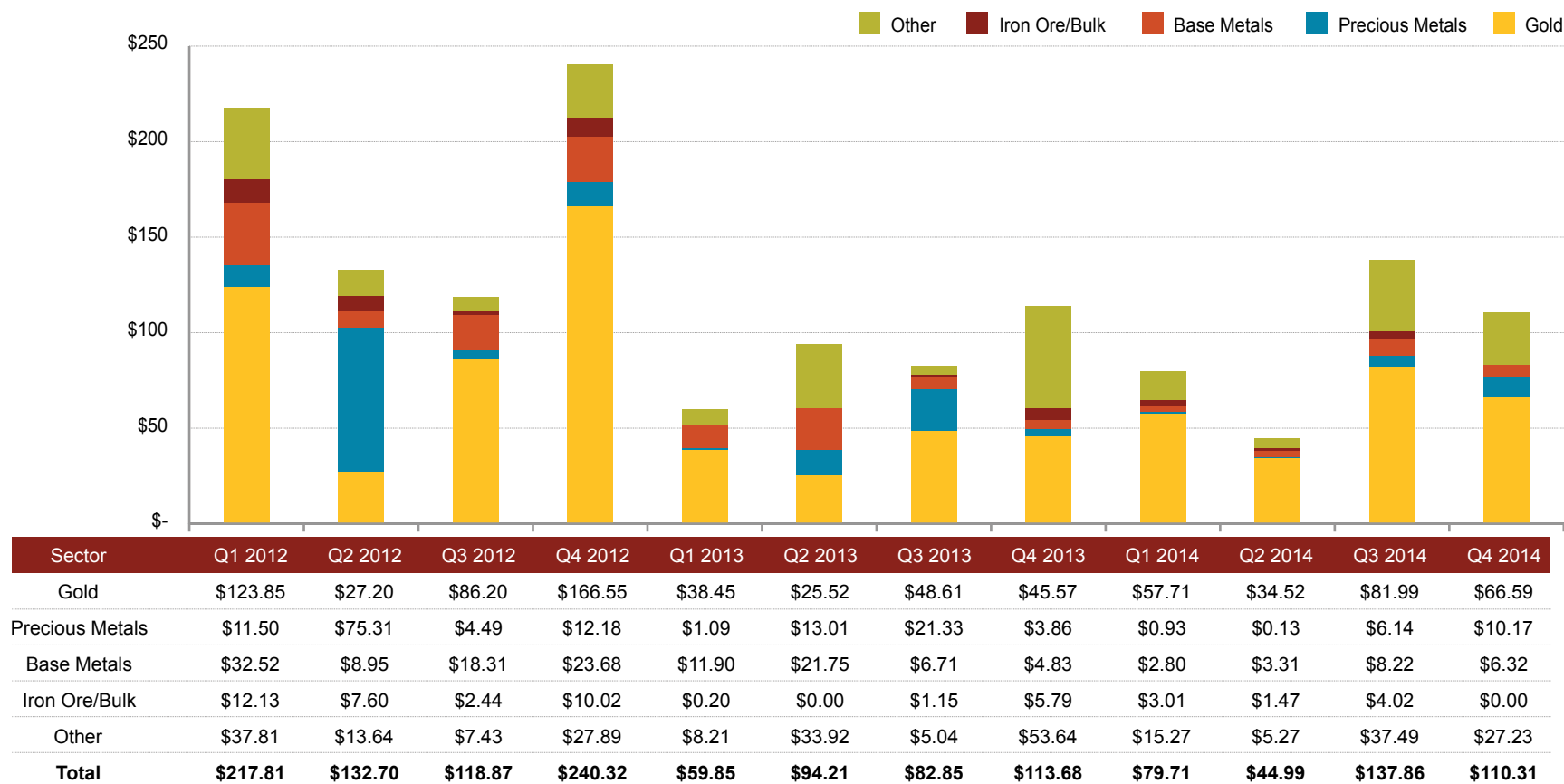
Flow-Through Dollars Raised by Province



Note: All dollars raised are listed in million-dollar units. PearTree participation includes only public company financings. Private company financings are not included in this report.

Flow-Through Raised by Quarter: 2012 – 2014

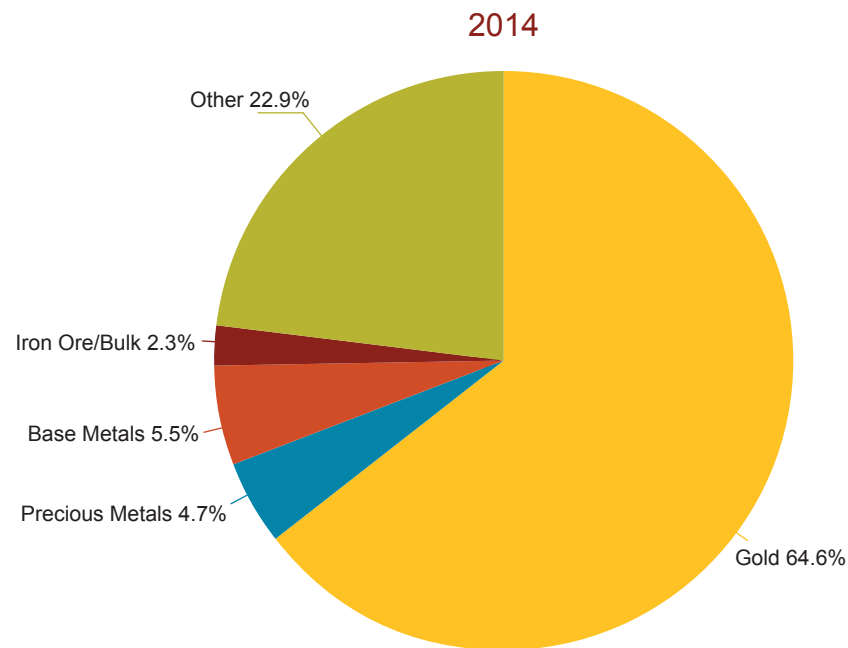
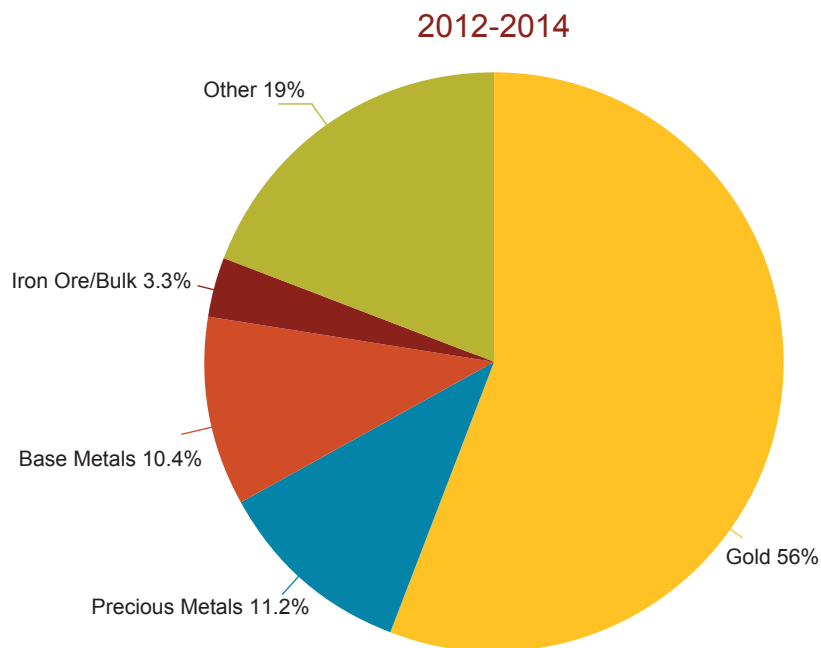
Dollars Raised



Note: The chart represents all flow-through financings across all natural resources sectors closed between January 1, 2012 and December 31, 2014. Dollars raised listed in million-dollar units. .



Sector Distribution by Dollars Raised



Sector	2012-2014	2013	2014
Gold	\$802.76	\$158.15	\$240.80
Precious Metals	\$160.15	\$39.29	\$17.37
Base Metals	\$149.31	\$45.20	\$20.65
Iron Ore/Bulk	\$47.83	\$7.14	\$8.50
Other	\$272.83	\$100.81	\$85.26

Note: The charts and table represent all flow-through financings across all natural resources sectors closed between January 1, 2012 and December 31, 2014. Dollars raised listed in million-dollar units.



Brokered Financings Across All Sectors: 2012-2014

YEAR	SECTOR	BOOK				AVERAGE FEES			STRUCTURE			EXECUTION	
		% OF TOTAL BOOK	DEAL SIZE*	TOTAL DEALS	TOTAL RAISED	CASH	WARRANT	TOTAL	SHARE PRICE PREMIUM+	% OF DEALS BOUGHT	% OF DEALS WITH WARRANTS	DAYS TO CLOSE*	SUBSCRIPTION RATE*
2014	Gold	64.3%	\$5.24	22	\$115.23	5.6%	2.6%	8.2%	16.9%	36.4%	36.4%	34.0	106.8%
	Iron Ore/Bulk	1.5%	\$1.37	2	\$2.74	6.0%	5.3%	11.3%	29.3%	0.0%	50.0%	33.5	136.8%
	Base Metals	3.5%	\$3.17	2	\$6.33	5.7%	5.7%	11.4%	-0.7%	50.0%	50.0%	34.0	115.5%
	Other	30.6%	\$4.57	12	\$54.86	5.9%	2.9%	8.8%	9.2%	25.0%	50.0%	21.3	118.4%
	Precious Metals	0.0%	\$0.00	0	\$0.00	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹	N/A ¹
	All Sectors	--	\$4.71	38	\$179.16	5.7%	3.0%	8.7%	12.4%	31.6%	42.1%	30.0	112.5%
2013	All Sectors	--	\$4.44	42	\$186.67	5.7%	2.4%	8.1%	7.9%	40.5%	35.7%	27.9	96.2%
2012	All Sectors	--	\$4.47	122	\$544.78	5.9%	2.5%	8.5%	12.7%	17.2%	38.5%	29.8	90.7%

Note: The table represents all brokered flow-through financings across all natural resources sectors closed between January 1, 2012 and December 31, 2014. Financing size and total money raised listed in million-dollar units. (1) No financings were completed in the Precious Metals sector in 2014. +Median *Average



Broker Stats: 2012 – 2014

	BOOK				AVERAGE FEES			STRUCTURE			EXECUTION	
SECTOR	% OF TOTAL BOOK	DEAL SIZE*	TOTAL DEALS	TOTAL RAISED	CASH	WARRANT	TOTAL	SHARE PRICE PREMIUM+	% OF DEALS BOUGHT	% OF DEALS WITH WARRANTS	DAYS TO CLOSE*	SUBSCRIPTION RATE*
Dundee	13.4%	\$11.13	11	\$122.44	5.5%	3.1%	8.6%	10.0%	90.9%	9.1%	20.8	132.7%
Canaccord	8.9%	\$4.77	17	\$81.11	5.8%	5.0%	10.8%	9.1%	58.8%	17.6%	29.8	116.9%
Cormark Securities	8.0%	\$10.35	7	\$72.48	5.4%	1.7%	7.2%	19.5%	71.4%	14.3%	18.4	109.9%
Primary Capital	6.7%	\$8.72	7	\$61.02	5.5%	0.7%	6.2%	9.4%	14.3%	42.9%	20.6	153.8%
Salman Partners	6.2%	\$9.38	6	\$56.30	6.4%	0.6%	7.0%	12.8%	66.7%	0.0%	20.0	100.4%
Secutor Capital	5.1%	\$2.03	23	\$46.58	5.9%	3.4%	9.3%	8.6%	0.0%	60.9%	20.1	104.7%
Scotiabank	4.8%	\$14.60	3	\$43.80	5.0%	0.2%	5.2%	7.2%	0.0%	0.0%	27.7	138.6%
Raymond James	4.7%	\$6.14	7	\$42.98	5.1%	0.3%	5.4%	5.6%	57.1%	0.0%	26.3	104.0%
Stonecap Securities	4.5%	\$20.38	2	\$40.76	7.0%	0.0%	7.0%	22.9%	100.0%	0.0%	30.0	100.0%
RBC	4.4%	\$9.92	4	\$39.69	5.5%	1.0%	6.5%	10.4%	100.0%	0.0%	20.5	112.3%
Industrial Alliance	3.9%	\$1.48	24	\$35.56	6.7%	4.6%	11.2%	21.1%	0.0%	66.7%	34.8	84.5%
CIBC	3.7%	\$11.16	3	\$33.47	6.0%	1.8%	7.8%	3.9%	100.0%	0.0%	22.0	120.8%
Casimir Capital	3.1%	\$5.71	5	\$28.56	4.3%	0.9%	5.2%	11.7%	20.0%	20.0%	17.2	77.0%
TD Securities	3.0%	\$13.55	2	\$27.10	5.0%	0.0%	5.0%	9.0%	100.0%	0.0%	17.0	100.0%
Macquarie	2.7%	\$3.54	7	\$24.80	6.2%	1.5%	7.7%	8.3%	14.3%	57.1%	35.7	87.2%
National Bank Financial	2.7%	\$4.86	5	\$24.29	6.3%	1.4%	7.7%	70.0%	20.0%	0.0%	19.4	99.7%
Haywood Securities	2.5%	\$5.64	4	\$22.55	5.9%	6.0%	11.9%	13.0%	25.0%	25.0%	23.0	108.7%
Laurentian Bank	2.4%	\$2.43	9	\$21.90	6.5%	2.9%	9.4%	25.0%	0.0%	22.2%	25.4	108.6%
Marquest Capital	2.2%	\$2.26	9	\$20.36	7.1%	4.8%	11.9%	16.1%	0.0%	55.6%	27.0	94.4%
Jennings Capital	1.3%	\$3.82	3	\$11.46	7.0%	7.0%	14.0%	0.0%	0.0%	100.0%	16.3	93.2%
IBK Capital	1.1%	\$1.43	7	\$10.03	7.2%	7.4%	14.6%	11.1%	0.0%	71.4%	60.9	69.2%
Mackie Research	1.0%	\$4.45	2	\$8.91	6.3%	6.3%	12.5%	2.8%	50.0%	50.0%	17.0	117.2%

Note: The table represents all brokered flow-through financings across all natural resources sectors closed between January 1, 2012 and December 31, 2014. Financing size and total money raised listed in million-dollar units. +Median *Average





What is needed to fix the market?

1. Young investors: Most of our investor base is aging out of the exploration risk appetite.
2. Company costs: What is the market willing to bear to keep the lights on?
3. Project complexity: How many layers of ownership can the market effectively value?
4. Discoveries: Need to happen on occasion
5. Project economics: Back of the napkin reality checks need to happen throughout project development.



Who is your flow-through investor?

1. How important is the tax credit to their investment decision?
2. 100%: This may not end well for you.
3. 75%: Their decision making isn't about the project.
4. Cherry on top: These investors like the resource game and want to boost their returns and your success.



What are you raising flow-through for?

1. Do you have an asset?
2. Why do you want to use flow-through?
3. What is the value you are creating vs. the cost of the flow-through?
4. Do you understand the cost of the capital?



No capital is free

1. Capital raises have real costs:
 - a. Management time, organizing, and dialing for dollars
 - b. Legal fees
 - c. Broker fees and warrants
 - d. Warrants
 - e. Tax credits if you do flow-through
2. What does it cost you not to raise money?
 - a. _____



Flow-through has negatives & positives

ISSUES

1. Tax credit investors
2. Paper you will see get dumped in 9 months
3. Lots of costs

BENEFITS

1. You get capital
2. Without capital you can not make a discovery
3. You get cash that can only be spent on exploration (can't be rerouted by the VP of Investor Relations)
4. FT forces exploration and we are in the business of exploration



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