

# **“HOW YOUR INVESTMENT IS KILLING THE INDUSTRY”**

VRIC 2020

January 19<sup>th</sup>, 2020 / Workshop 5

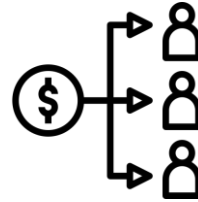
**Presented by Kai Hoffmann, CEO**



# WHAT IS ORENINC?



- We track **over 1,400 companies** on the TSX, TSX-V, and the CSE
- Provide **sector and broker reports**



- Logged **+33 500 deals** since 2011
- Data-driven approach to examining financings



- **In-house** data analyst
- Consulting on capital raises and ancillary aspects

# OUR CRITERIA.

## JUNIOR MINING MARKET

**<1.5bn**

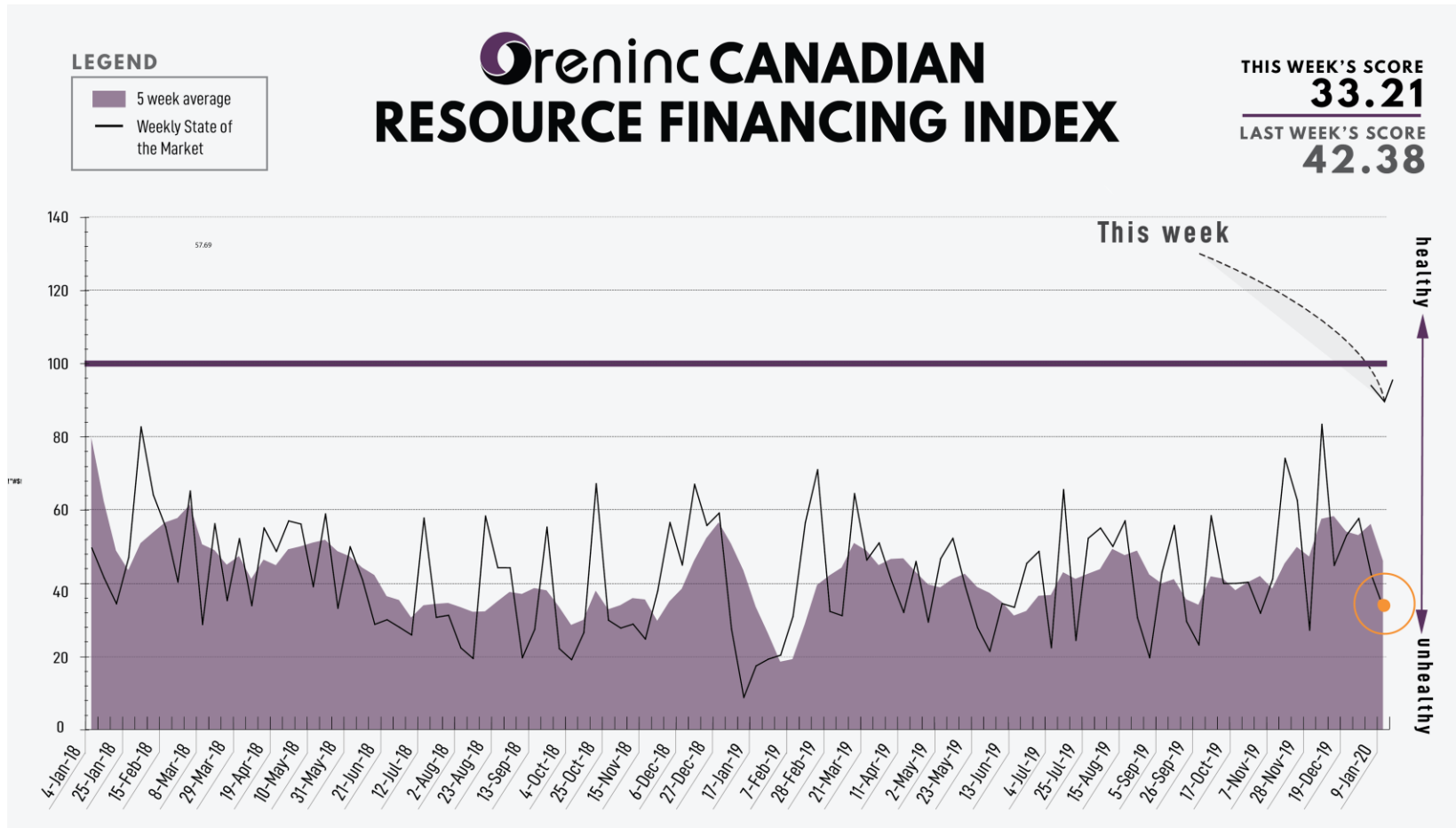
CAD market cap

**<100mil**

CAD financing

## Weighted Index Factors:

1. Total \$s of financings opened
2. Percentage of broker participation
3. Total # of deals opened



[www.Oreninc.com](http://www.Oreninc.com)



## State of Mineral Finance 2019: At the Crossroads

Collaboration with PDAC

Publication at  
**PDAC Conference**

### Special Focus:

Financings of companies with  
sub C\$ 100mn market cap



PROSPECTORS &  
DEVELOPERS  
ASSOCIATION  
OF CANADA





# 2019 – Forecast Review

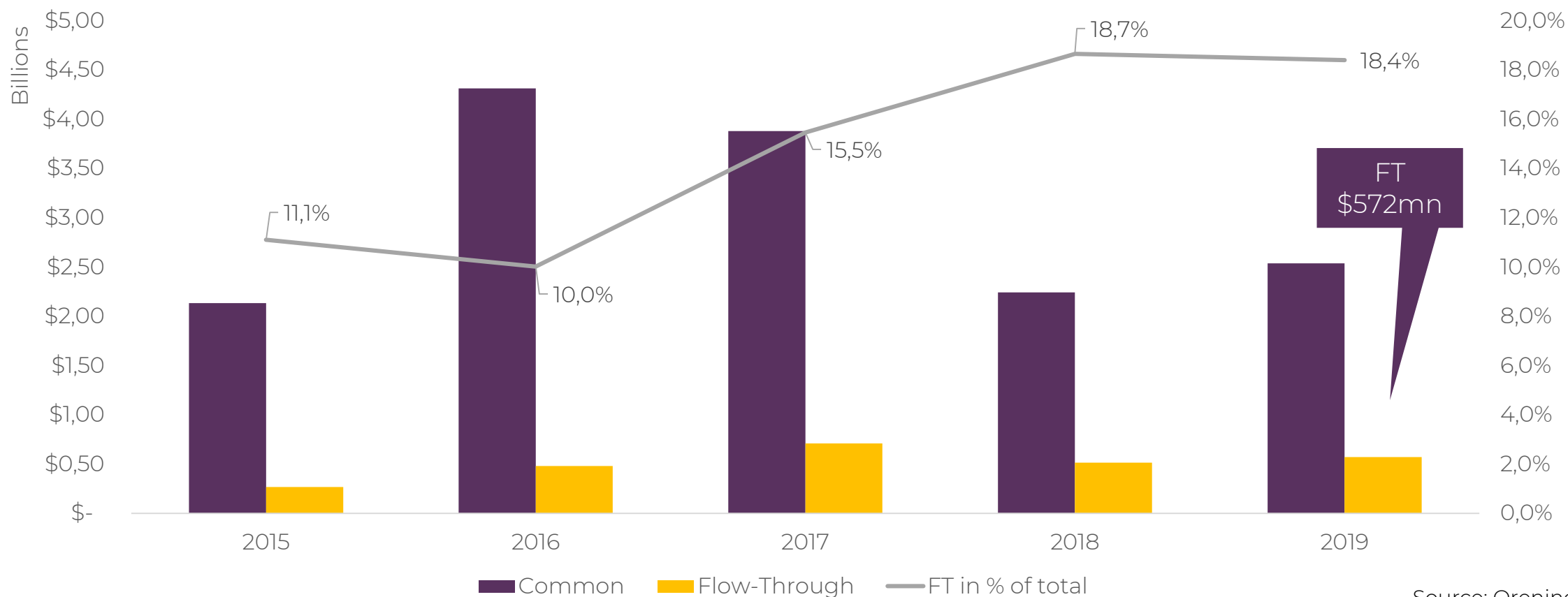
- **Flow-Through** will be major contributor and will keep companies with Canadian projects afloat
- **Cannabis** companies have peaked in 2018
- Chance to see less financings with **warrants** attached to show strength

Smallest financing 2019:

**\$5,000**

\$0.05 – 150% Premium  
1 Warrant, 36 months

# FLOW THROUGH A LIFE SAVER

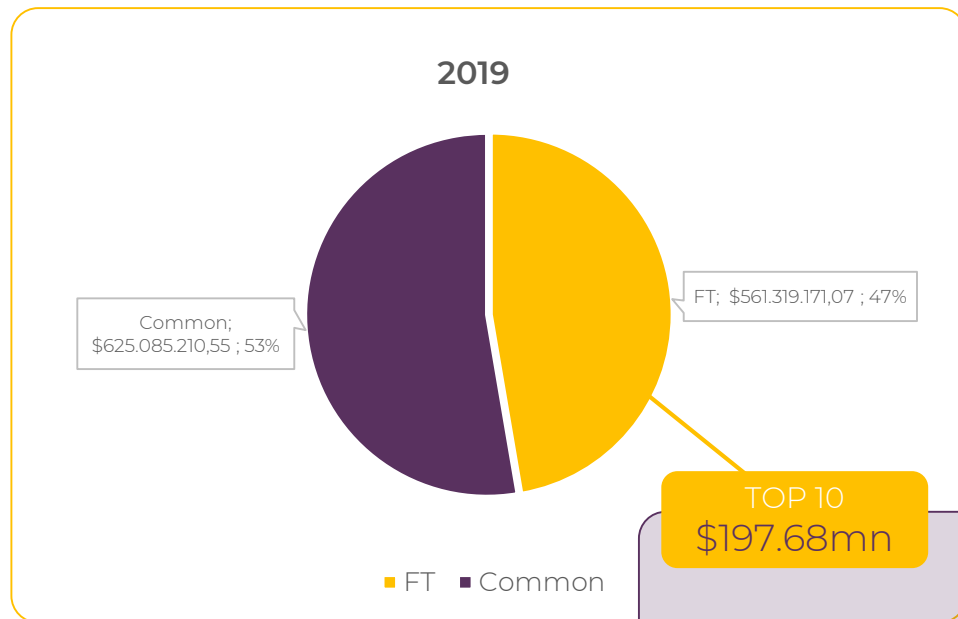


Source: Oreninc



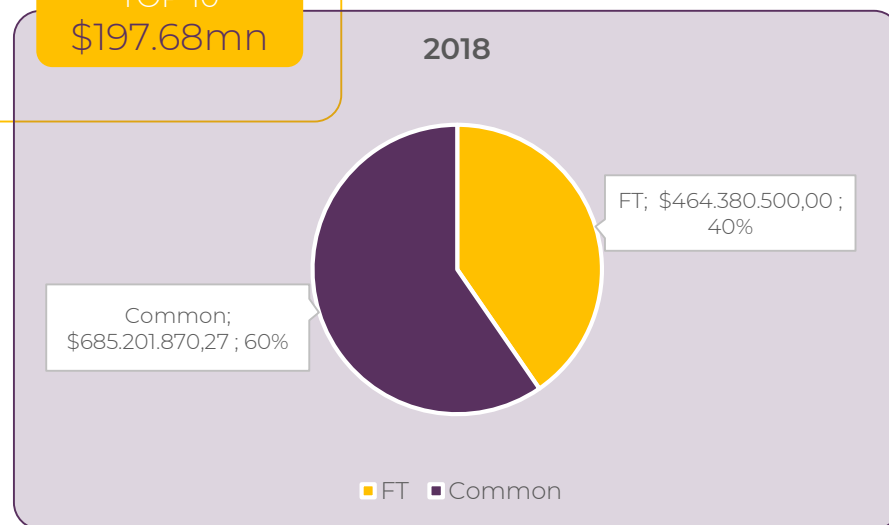
# FT vs COMMON

**METC of 15% for grassroots projects**



Canadian Exploration  
Financings

Share of FT  
40% ↗ 47%





# FLOW THROUGH DON'T GET SCAMMED

- ❗ FT Premiums sub 30%
- ❗ FT Premiums negative – free shares!
- ❗ FT with a warrant

*“The offering will consist of **flow-through units** and **non-flow-through units** **both priced at five cents** per unit.”*

**CALL TO ACTION**  
**#FREESHARES**

# FLOW THROUGH BOTTOM 20 of 2019

	Market Caps	Share Price	Dollars Raised	Dilution	FT Premiums	Comments
1	6,121,569.00	0.105	200,000.00	3.3%	-52.38%	10% Disc at announcement, pumped up, sold off
2	2,227,804.00	0.12	270,799.98	12.2%	-50.00%	Known Scammer
3	32,834,618.00	0.2	1,000,000.00	3.0%	-40.00%	Positioning for IR firm
4	18,638,902.00	0.36	1,999,999.00	10.7%	-38.89%	Promo Play, Eric Sprott Investment
5	8,350,682.00	0.195	780,000.00	9.3%	-33.33%	17.6% premium at time of announcement
6	2,332,330.00	0.22	168,000.00	7.2%	-31.82%	Positioning for promoters & insiders
7	26,412,491.00	0.175	2,990,861.64	11.3%	-31.43%	Positioning for promoters
8	16,672,546.00	0.08	227,333.00	1.4%	-31.25%	Dragged out financing from 2018
9	3,159,830.00	0.31	308,000.00	9.7%	-29.03%	Premium upon close, Eric Sprott investment
10	5,870,498.00	0.07	100,000.00	1.7%	-28.57%	Known Scammer
11	26,955,184.00	0.83	405,000.00	1.5%	-27.71%	Promote, doomed to fail
12	6,312,694.00	0.135	140,000.00	2.2%	-25.93%	0% Premium on announcement
13	2,597,227.00	0.1	300,000.00	11.6%	-25.00%	Known Promoter on the board
14	151,354,069.00	0.37	5,096,356.72	3.4%	-24.32%	No announcement of financing opening, closed after positive news
15	8,959,093.00	0.65	250,000.00	2.8%	-23.08%	Area play in Red Lake
16	25,766,495.00	0.285	360,739.94	1.4%	-22.81%	Stock had massive run up, 0% premium at announcement
17	7,626,007.00	0.205	100,000.00	1.3%	-21.95%	Pot AND Cobalt company
18	6,312,694.00	0.135	275,000.00	4.4%	-18.52%	0% Premium on announcement
19	6,848,094.00	0.18	150,000.00	2.2%	-16.67%	2019: 750k, 294k, 225k placements, company has more advisors than DT
20	3,564,000.00	0.48	100,000.00	2.8%	-16.67%	20% discount on announcement at the end of the year

# 2019 – Cannabis

## Cannabis on the CSE

As of Oct. 31, 19

Cannabis & related companies accounted for **81%** capital raised YTD

Raising just **below 2bn CAD**

Approx 50% was raised by US issuers

**TOTAL for 2018: 3.99bn!**

Mining raised \$162mn or 7% of the total

### MARIJUANA INDEX

NORTH AMERICAN INDEX

UNITED STATES INDEX

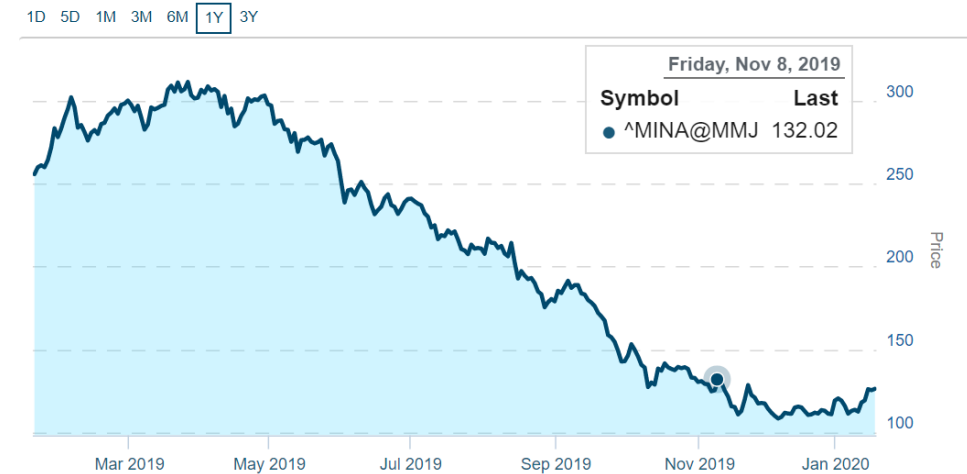
CANADIAN INDEX

126.36

↑ 0.80

Constituents	47
% Change	0.64%
Open Price	125.82
Total Volume	120.93 m
52 Week High	319.73
52 Week Low	108.50

[More Detail](#)



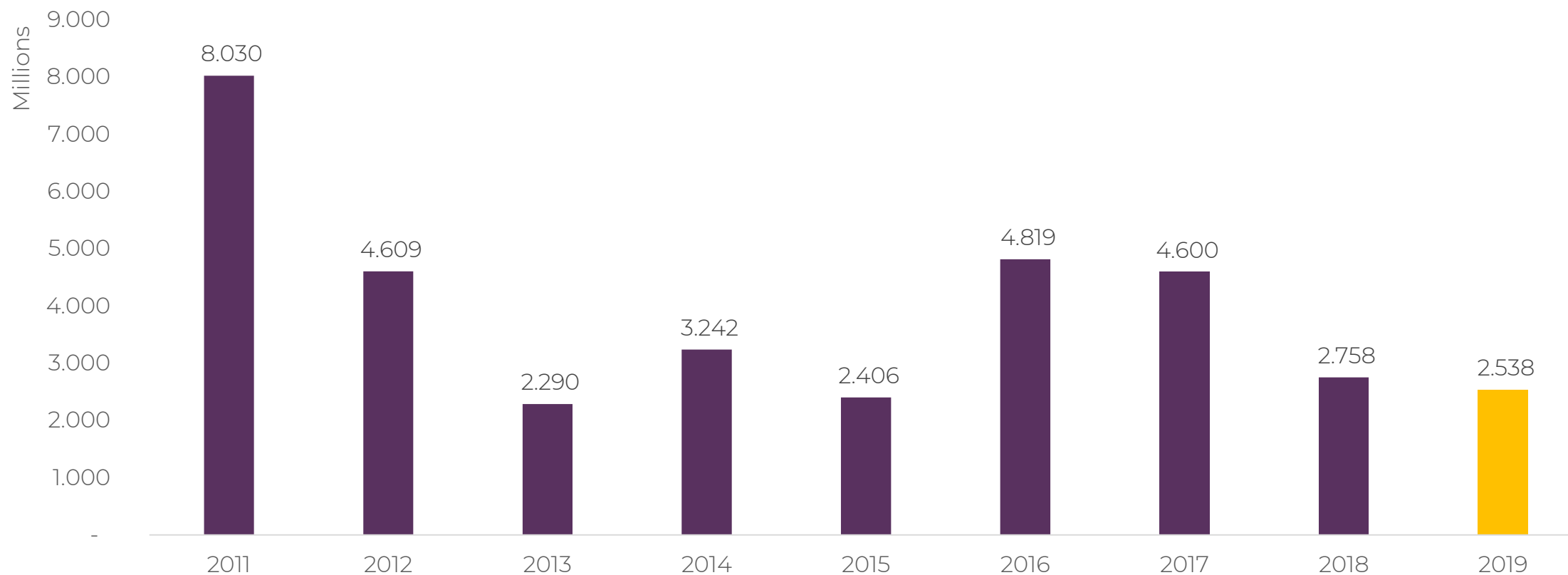
Source: The CSE, Graph: <https://marijuanaindex.com>

# Warrant Trends

	2018			2019		
	No of Financings	Average Premium	Average Term	No of Financings	Average Premium	Average Term
1/1 Warrant	363 49.7%	66%	27.7 months	384 49.5% →	61% ↘	29.1 ↗ months
1/2 Warrant	216 29.5%	63%	25.6 months	189 24.4% ↘	65% ↗	25.1 → months
0 Warrant	151 20.6%			197 25.4% ↗		
TOTAL	731	Financings with warrants 2018: <b>79.2%</b> 2019: <b>73.9%</b> ↘			775	Top 30 financings, only 30% with a warrant

“HOW YOUR INVESTMENT  
IS **KILLING** THE INDUSTRY”

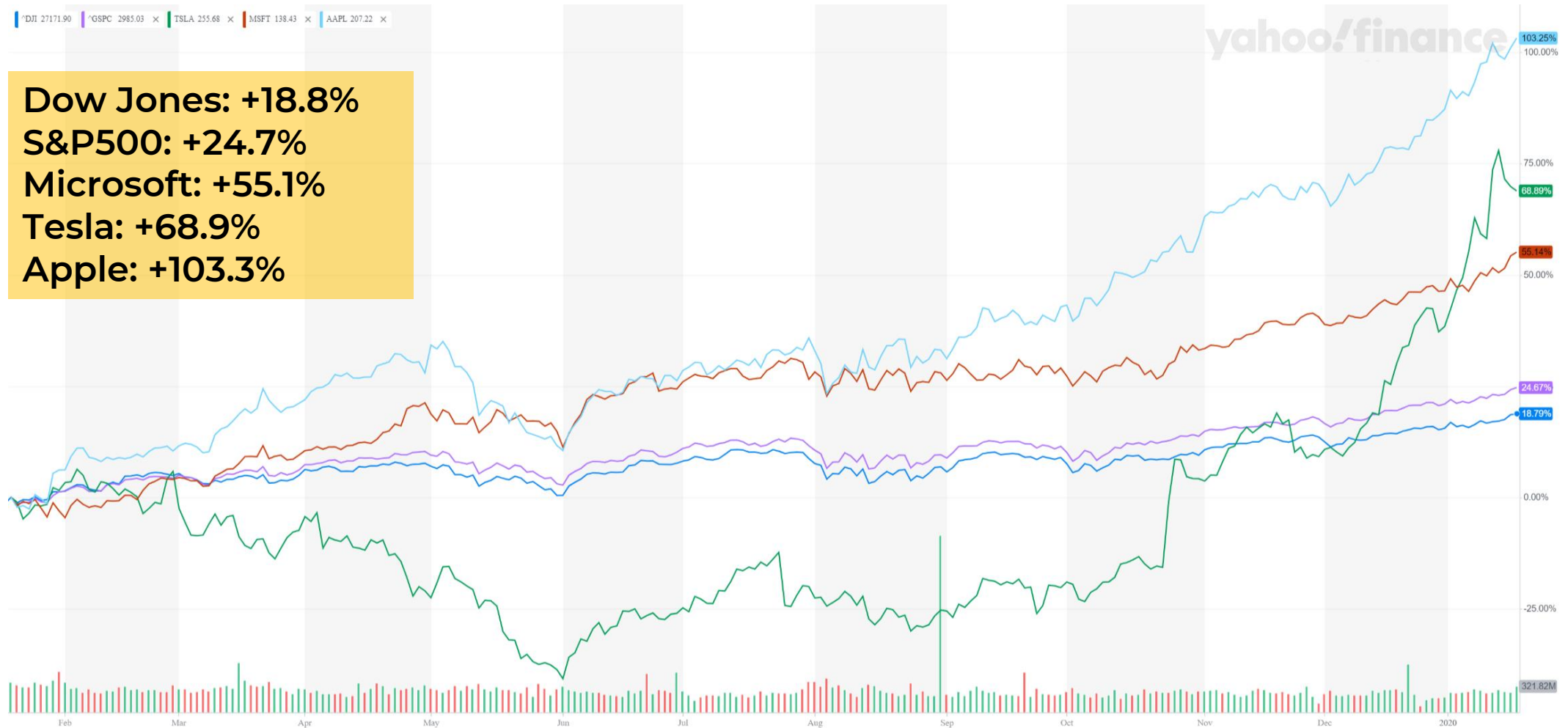
# \$\$\$s raised



\*includes Common & Flow-Through, ex Oil & Gas & Frack Sand

Source: Oreninc

# COMPETITION





# ETFs - Gold Miner

TICKER	FUND NAME	ISSUER	AUM
<b>GDX</b>	VanEck Vectors Gold Miners ETF	VanEck	<b>\$12.81B</b>
<b>GDXJ</b>	VanEck Vectors Junior Gold Miners ETF	VanEck	<b>\$4.86B</b>
RING	iShares MSCI Global Gold Miners ETF	Blackrock	<b>\$291.83M</b>
SGDM	Sprott Gold Miners ETF	Sprott, Inc.	<b>\$184.95M</b>
JDST	Direxion Daily Junior Gold Miners Index Bear 3X Shares	Rafferty Asset Management	<b>\$137.93M</b>
SGDJ	Sprott Junior Gold Miners ETF	Sprott, Inc.	<b>\$59.79M</b>
GOAU	U.S. Global GO Gold and Precious Metal Miners ETF	US Global Investors	<b>\$56.15M</b>
GOEX	Global X Gold Explorers ETF	Mirae Asset Global Investments	<b>\$42.47M</b>
			<b>\$18.44B</b>

## Advantages of ETFs

- Managed by a fund manager with industry expertise & qualifications
- Spreading your investment dollars wider

**ETFs make  
investors lazy**

TSX.V Market Caps  
**\$18.98bn\***

TSX Market Caps  
**\$362.15bn\***

\*as of December 31, 2019; Source: TSX.com

**GDXJ**  
Sibanye Gold (US\$29.7bn)  
Kinross (US\$5.6bn)

# ETFs **suffocate** the juniors

594 financings below C\$ 1mn  
Average market cap: C\$ 9mn

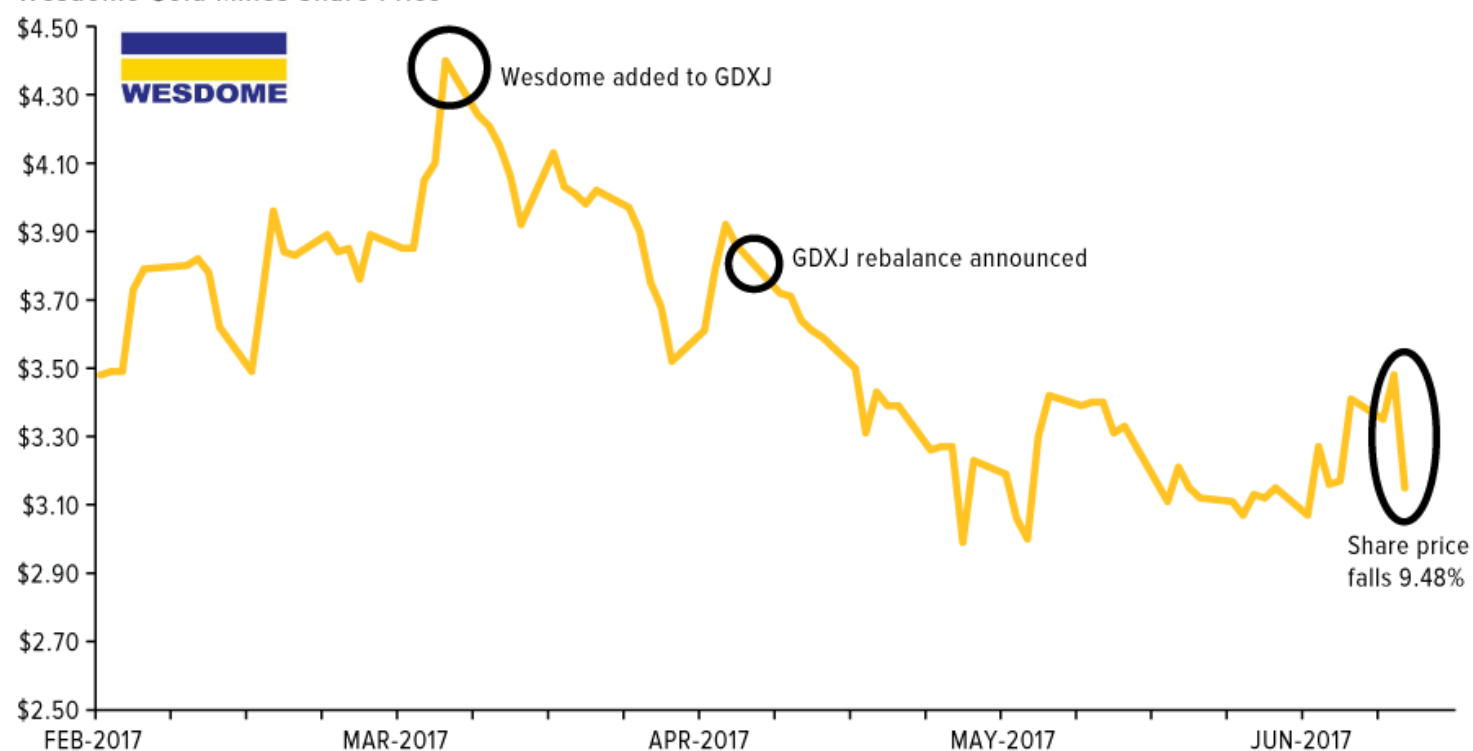
471 financings above C\$ 1mn  
Average market cap: C\$ 67mn

Grass roots companies  
struggling to raise funds

Deal makers:  
**Become immediately ETF  
relevant**

## GDXJ Rebalance Has Created a Buying Opportunity for Distressed Small-Cap Mining Stocks

Wesdome Gold Mines Share Price



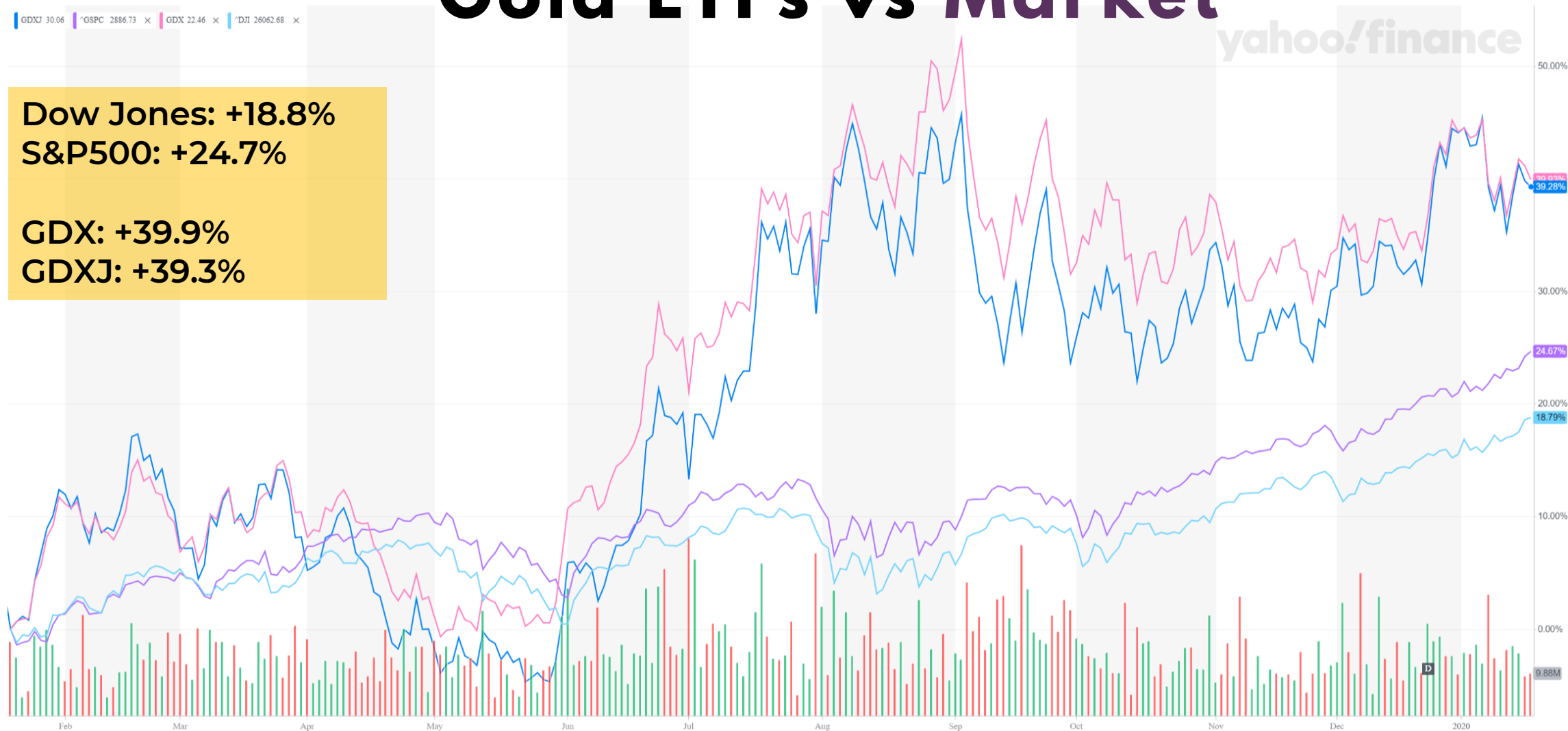
Source: Bloomberg, U.S. Global Investors

# Gold ETFs vs Market

GDJ 30.06 x GSPC 2886.73 x GDJ 22.46 x DJI 26062.68 x

**Dow Jones: +18.8%**  
**S&P500: +24.7%**

**GDJ: +39.9%**  
**GDJ: +39.3%**



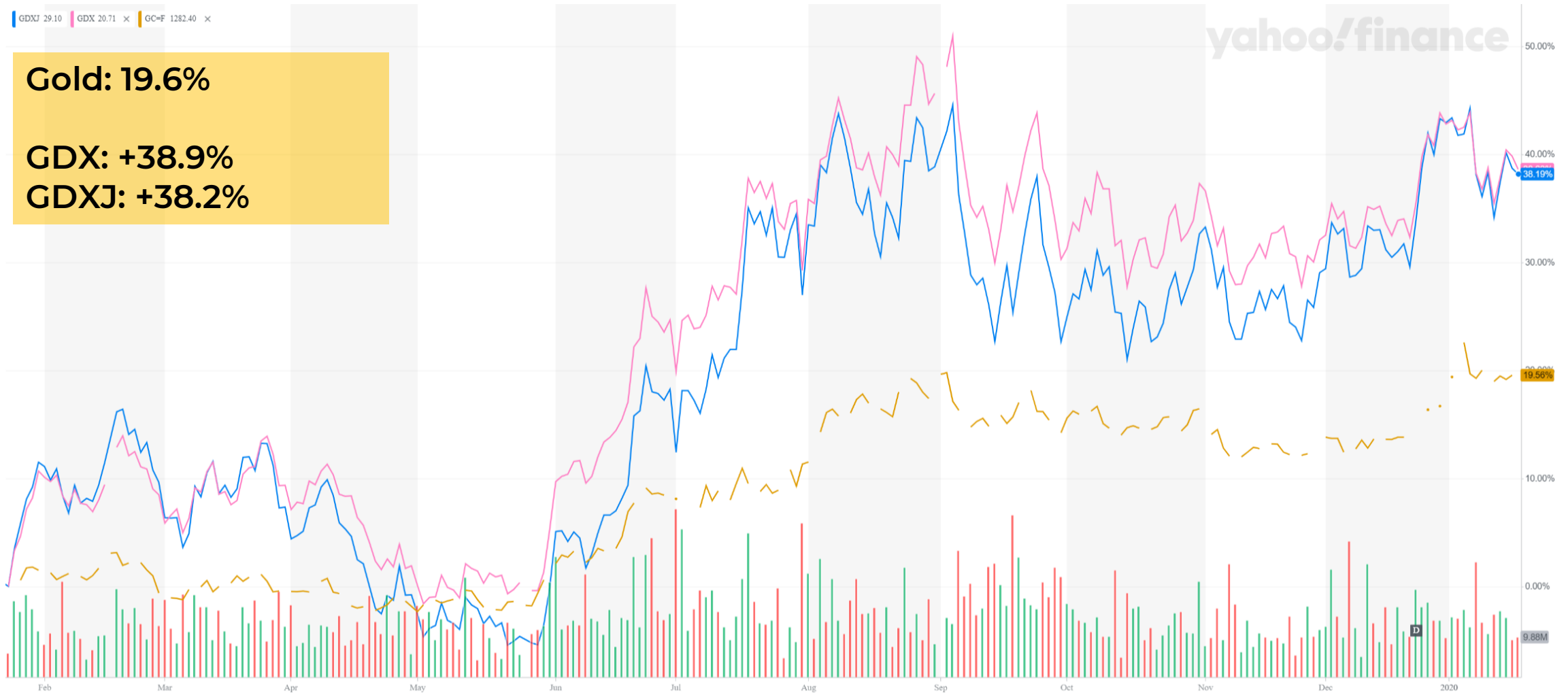
# Gold vs Gold ETFs

GDJ 29.10 GDX 20.71 GC=F 1282.40

**Gold: 19.6%**

**GDX: +38.9%**

**GDXJ: +38.2%**

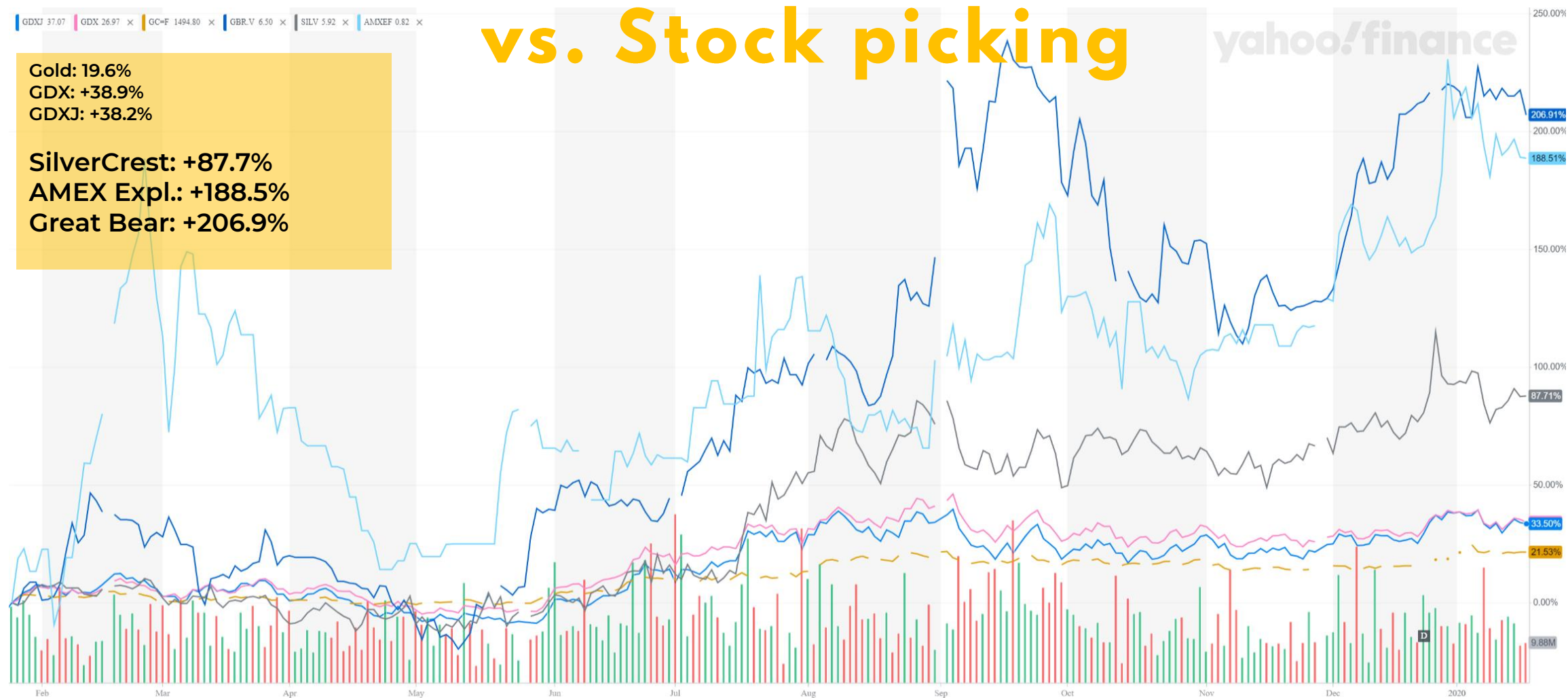


# Gold & Gold ETFs vs. Stock picking

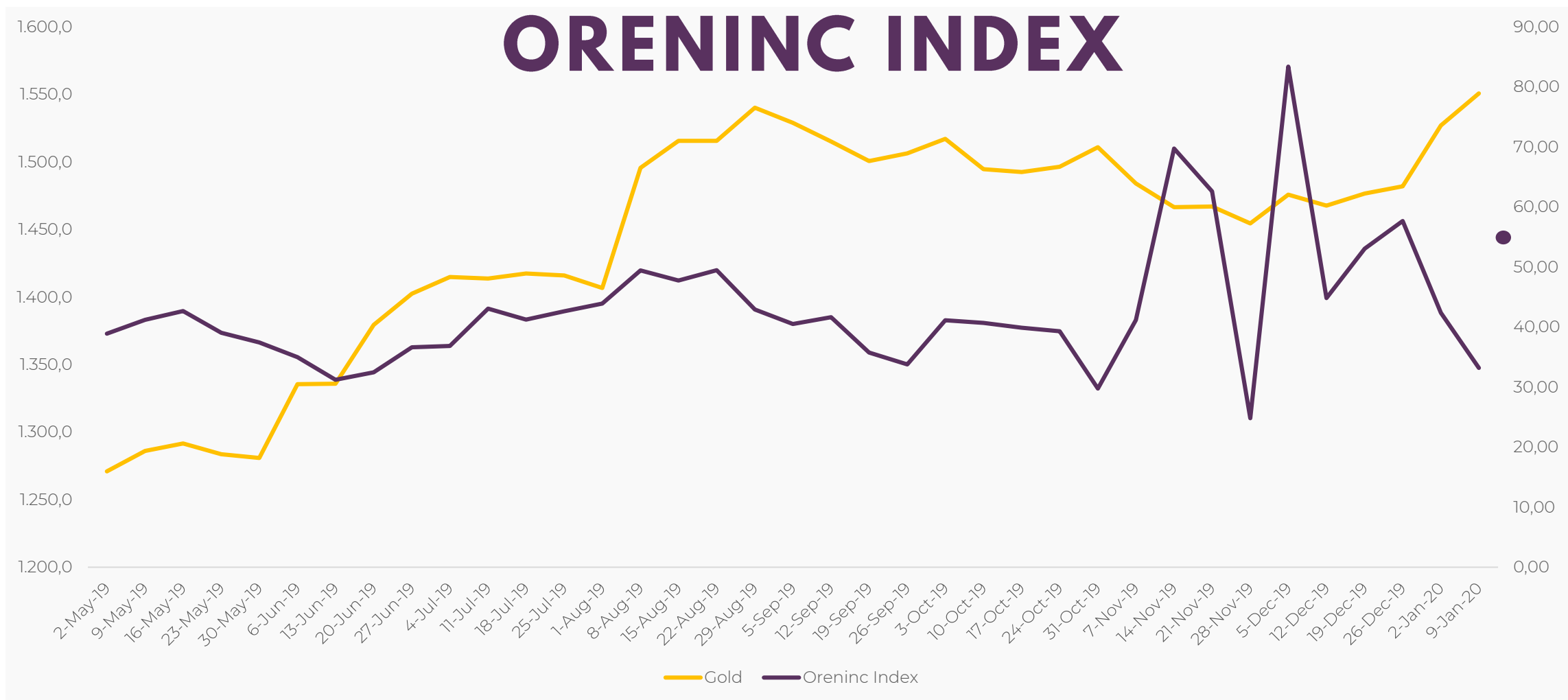
GDJ 37.07 × GDX 26.97 × GC=F 1494.80 × GBR.V 6.50 × SILV 5.92 × AMXEF 0.82 ×

Gold: 19.6%  
GDX: +38.9%  
GDJ: +38.2%

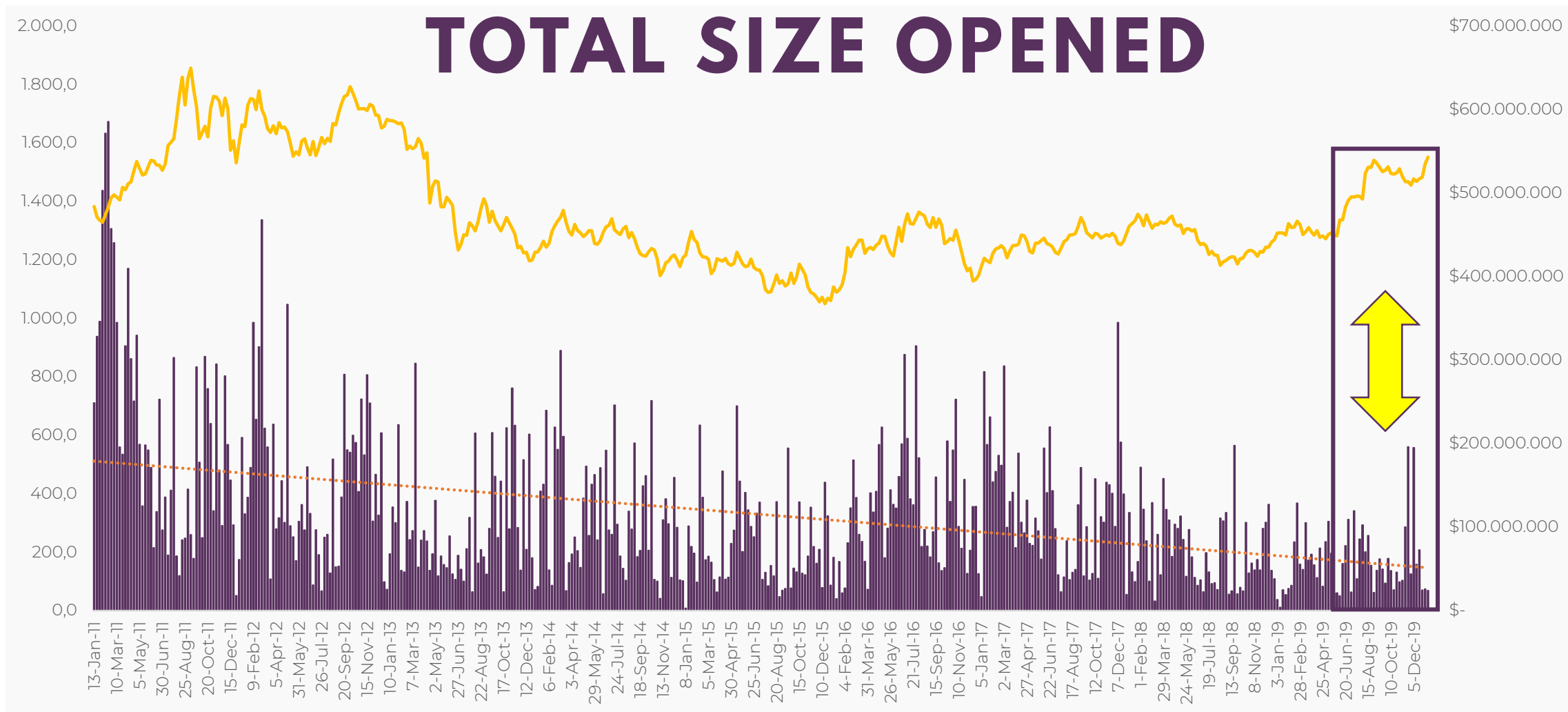
SilverCrest: +87.7%  
AMEX Expl.: +188.5%  
Great Bear: +206.9%



# GOLD vs. ORENINC INDEX

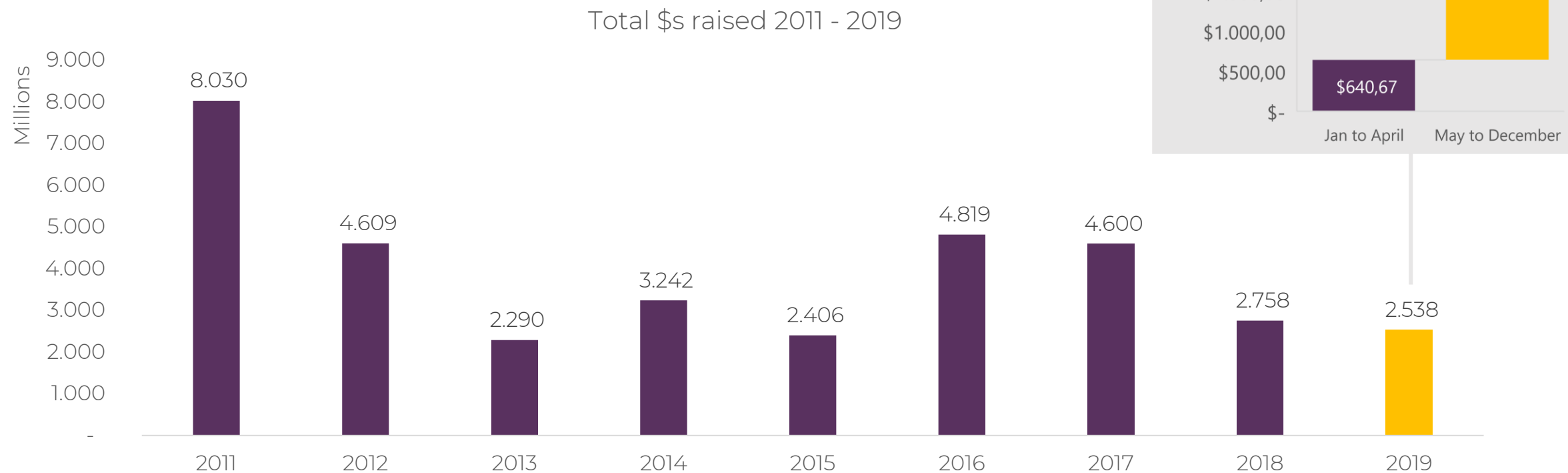


# GOLD vs. TOTAL SIZE OPENED





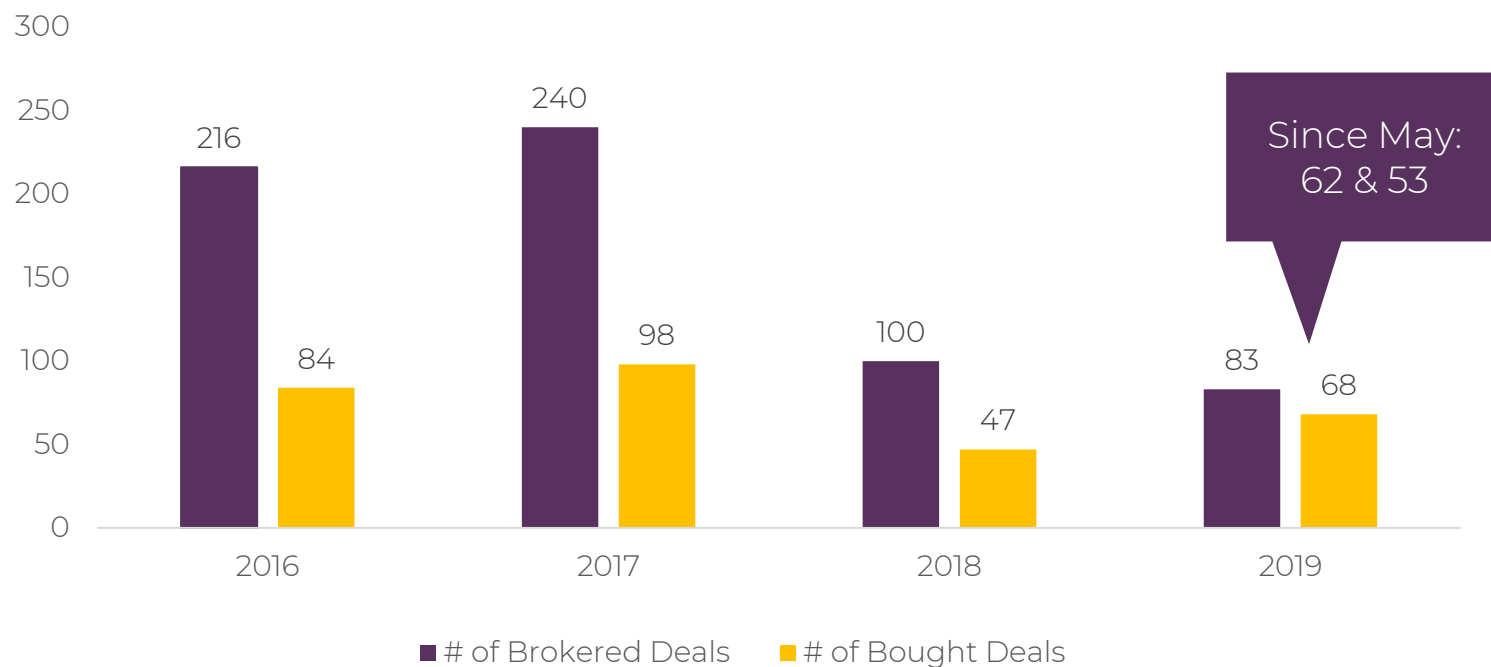
# \$\$\$s raised



\*includes Common & Flow-Through, ex Oil & Gas & Frack Sand

Source: Oreninc

# BANKER & BROKER ACTIVITY



Source: Oreninc

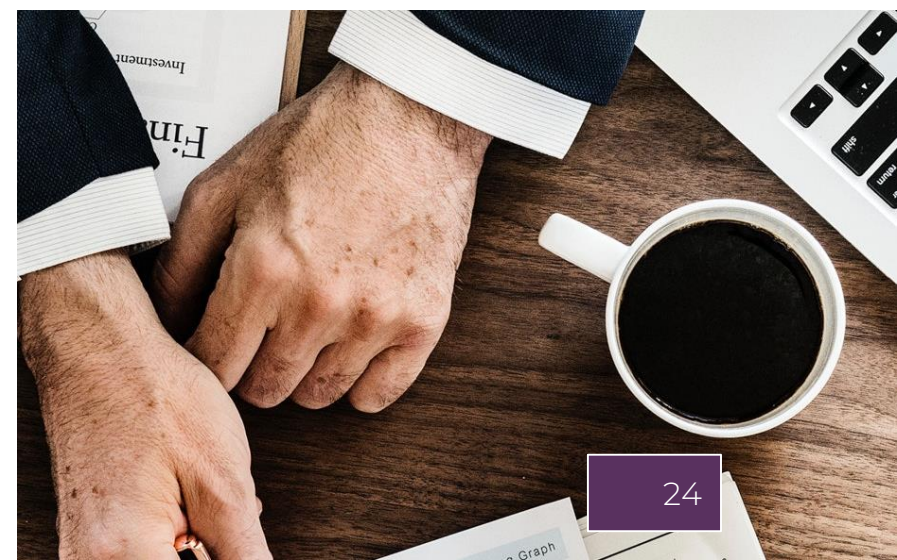
## RETURN OF THE BANKERS

2020

2 Bought deals in week 1

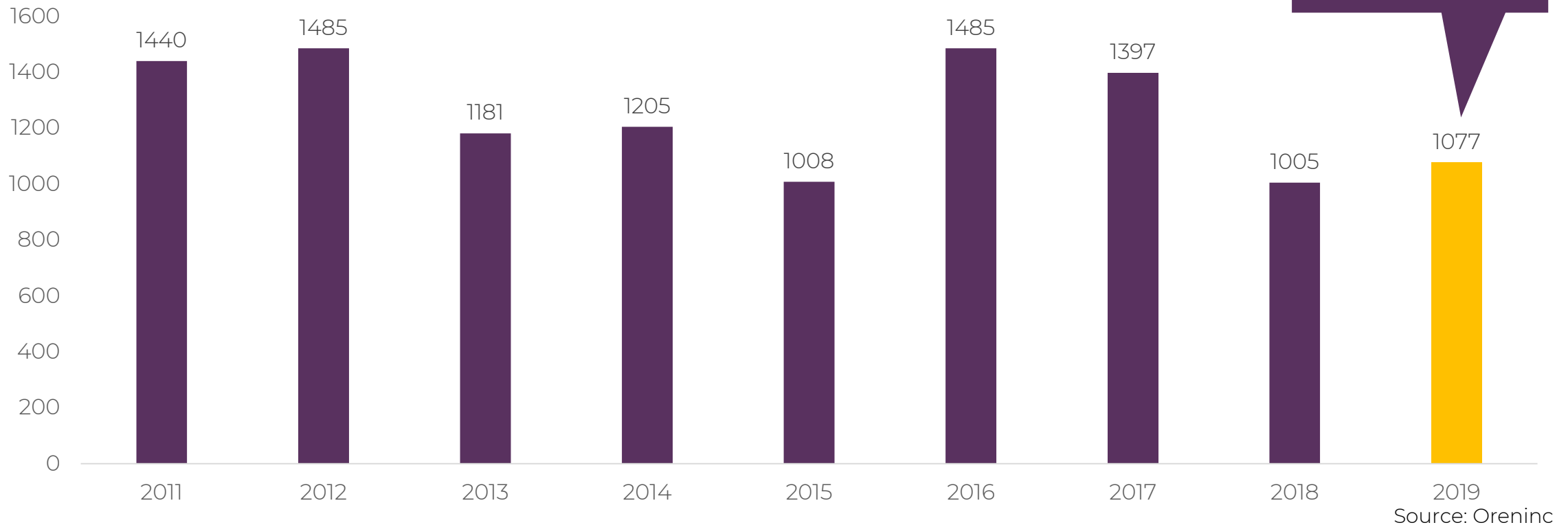
2019

Bought deals only in week 8



# Total # of deals

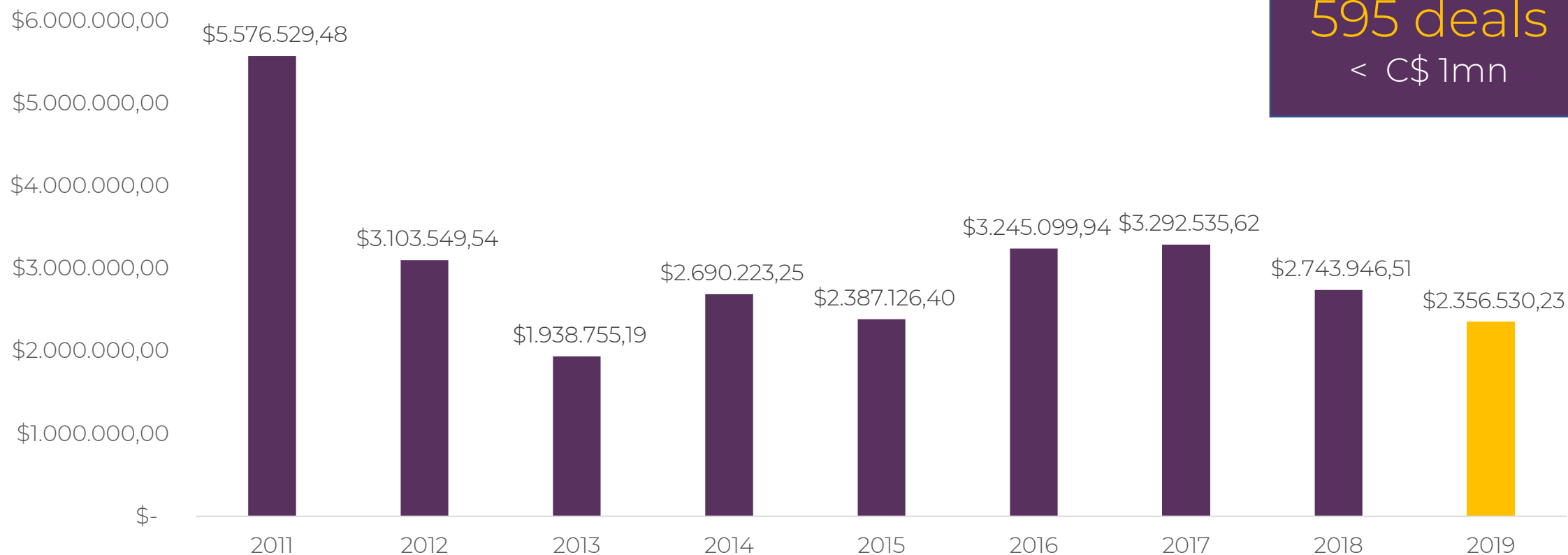
Total # of Deals  
2011 - 2019



\*includes Common & Flow-Through, ex Oil & Gas & Frack Sand

# Average Deal Size

Average Deal Size 2011 - 2019



Source: Oreninc

\*includes Common & Flow-Through, ex Oil & Gas & Frack Sand



# How you can save the industry

## POINTERS/ PITFALLS

- **Re-Allocate** some capital out of ETFs into single stocks
- Participate in **private placements**, even as a US-investor
- Join a Stock Club
- Time to **educate yourself** and get a head start
  - Newsletters
  - Conferences
  - Webinars
  - Social Media
- Don't **over-allocate** into one single stock
- Don't **chase** stocks
- **Avoid** financings with FT price at or below current share price
- Start with **prospectus financings**, no 4-month hold period, often without a warrant

# OUTLOOK for 2020



## FLOW – THROUGH

Financing form will remain extremely important moving forward



## ACCESS TO FINANCINGS

Few remaining institutional investors will have easy access to deal flow, retail less so.

Emergence of deal clubs.



## MID TIER PRODUCERS

will start to invest into junior exploration companies

# CONTACT US.



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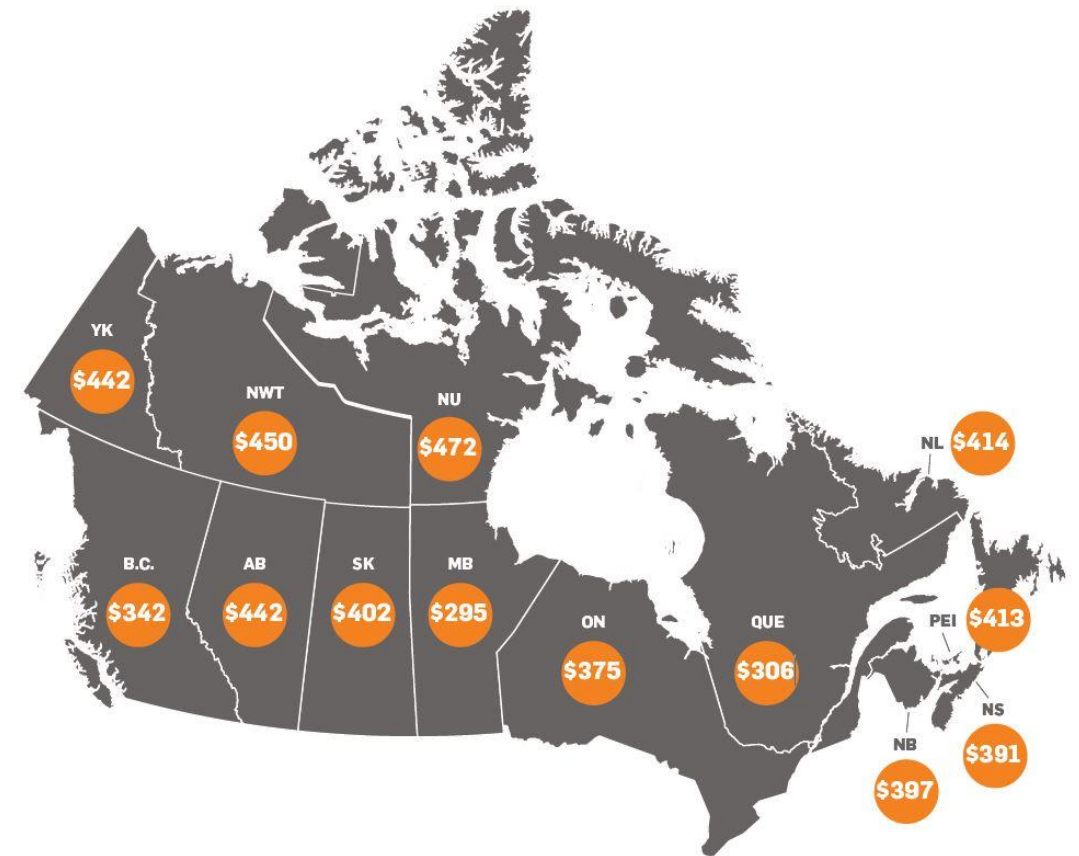
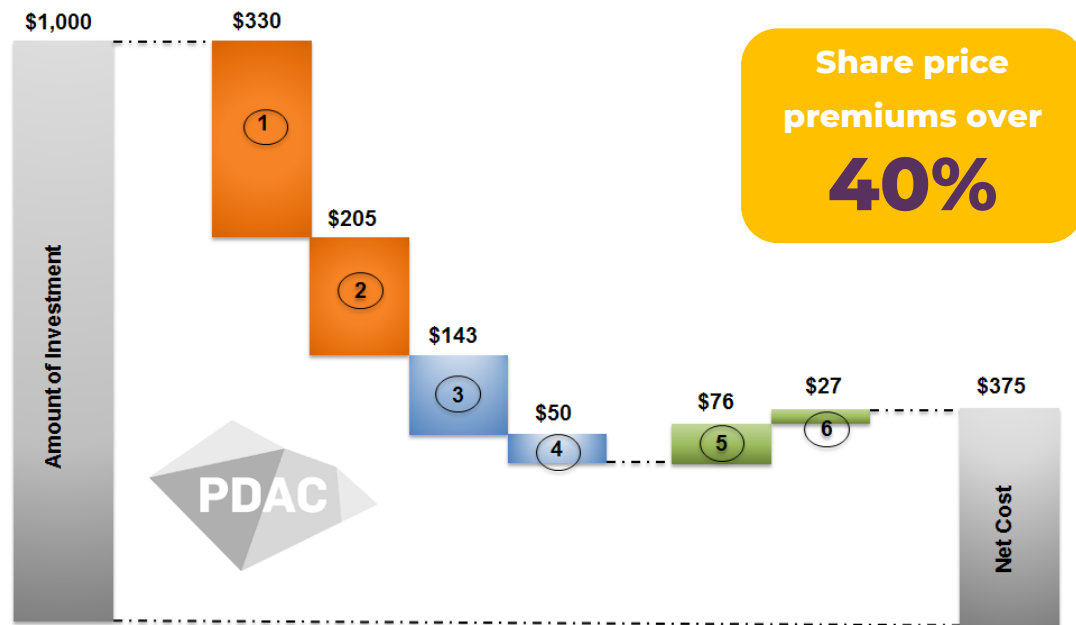
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# FLOW THROUGH



Application of various federal, provincial and mineral exploration tax credits



# CHARITY FLOW THROUGH



FLOW THROUGH PLUS PHILANTHROPY



Donor buys FT shares from Company



Donor donates shares immediately to his favorite charity on the day of issuance



Charity immediately sells to pre-determined investor at a pre-determined price

Share price premiums up to  
**70%**  
Investor often gets discount to market

**No costs to investor or company**



# JUMP STARTING THE SECTOR



Still owns 13mn shares in  
Kirkland Lake Gold  
~700mn CAD

Since September 15 invested another  
58mn CAD

**45**  
companies

Total investment of  
**\$234.694.697,62**

**11%**  
of overall market

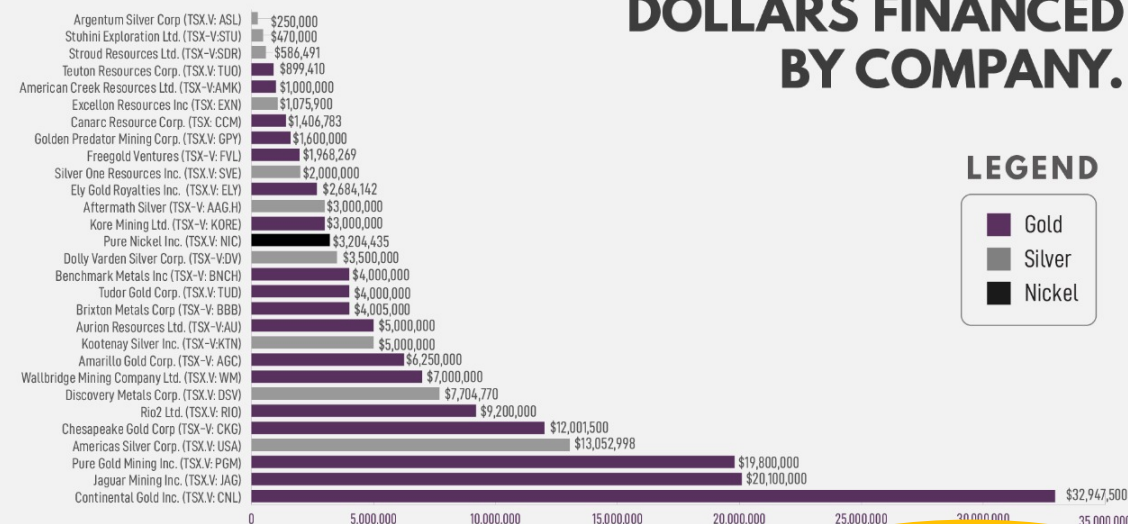


## ERIC SPROTT FINANCINGS MAY-AUG 2019

**29** COMPANIES

**\$176.7mil+**

### DOLLARS FINANCED BY COMPANY.



**\$ \$176,707,197.62**  
TOTAL AMOUNT RAISED

### Oreninc NOTES.

\* **ALL FINANCINGS** were either made by Eric Sprott personally, 2176423 Ontario Ltd., or Sprott Mining.

\* **SOURCE:** company press releases and Oreninc.com estimations.

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