

VSA Dispatch from Toronto



Our Dear Leader has gone to Toronto to be part of PDAC and the numerous sub events that take part pre PDAC. He describes PDAC like Dancing on Ice compared to Indaba which is Strictly come Dancing. The latter is full of glitz and glamour, whereas he tells us PDAC is just bloody cold! What we can't work out from this is whether Andrew is Darcey Bussell or John Barrowman? He has taken the mining team with him, Paul and Ollie, now clearly acting as Torville and Dean, but they only arrived on Saturday whereas our Dear Leader went ahead early and attended the Red Cloud pre PDAC Mining showcase and also the Metals investor Forum. Both were very full on sessions with about 100 Companies presenting at both, but we're not sure Our Dear Leader can take this much on and we have a feeling that he may have resorted to his old university days and chemistry lectures, i.e. he skipped a lot!

One noticeable difference at these conferences is that it's not just investors attending but plenty of OEM's and Government departments globally- the industry is on an inevitable vertical integration change with upstream and downstream in the same way the oil industry went.



To our Dear Leader it does seem a little bit of overkill! He hopes it doesn't go that way at Indabaalthough he has said to his team that he has a cunning plan, in fact it is "As cunning as a fox who's just been appointed Professor of Cunning at Oxford University"

PDAC which is the prospectors and Developers Association of Canada was originally set up as a way for mining companies to show their opportunities to investors to fund the upcoming Spring and Summer drilling campaign and so why it is held in February. Drilling in the winter stops over the winter due to weather conditions. It is also much older than Indaba as it was founded in 1932 and is regarded as the biggest and most important mining conference globally. PDAC is a huge event with significantly more companies attending than Indaba. The sheer size of the main investor hall is a 10 fold increase. The TSX has twice as many mining companies listed on it as the entire AIM market has across all sectors! This does mean a lot of opportunities for VSA we are pleased to report.

Clearly Battery Metals is a very hot topic but also Gold is always a popular area at PDAC although Andrew has been mulling a new theory.

"Bearish for Gold miners but bullish for Goldyou see Gold really doesn't have any real use except as jewellery and National Reserves and yet mining it is not environmentally friendly. He thinks environmentalists, well the more sensible ones, can see that mining most metals is required for the World to function, but if we stopped mining Gold - well it would be good for the environment and frankly no one would careso his question/thought is are we going to see activists trying to stop gold mining and is gold mining all over? if it is of course what gold there is out there, will go up in value".

ESG is a huge topic and at a speech by Ross Beaty, one of Canada's most successful mining entrepreneurs, Ross talked a lot about his ESG credentials and foundation. He is of course a huge player in the Gold mining industry and when Andrew asked him about the conflict between gold mining and ESG, he did rather struggle to answer beyond saying that Gold is critical as it is the most basic reserve currency.

On Gold, Andrew's analysts point out that the largest gold producing nations are China and Russia, noted sticklers for ESG !!... Although nonferrous exploration spend is about half the peak in 2012 the data shows that gold still manages to attract the largest share of this; the share for other metals has been growing but not nearly fast enough to meet

the projected growth of SWB and electrification. The majority of that gold exploration funding, 75%, went to Western Australia last year.

Some of the Companies that Andrew and the Team met and that caught their attention were:

Atlantic Lithium living up to their name presenting on the other side of the pond after Indaba. Their partners **Piedmont Lithium** were also on stage who as well as committing to leading the funding for Atlantic's Ewoyaa lithium project in Ghana have a portfolio of North American projects which are now benefitting from Inflation Reduction Act (IRA) funding.

Cerrado Gold with two discovery stage assets in Brazil and Argentina and an existing producing platform. The plan is to take production from 50kozpa to over 200kozpa over the next four years by executing the development of these assets. In 2022 production was 54koz of gold at AISC of US\$1,300/oz which is expected to reduce as production ramps up. CEO and co-Chairman is Mark Brennan who successfully took Largo Resources into production.

Ascendant Resources is another company founded by Mark Brennan. The company is focused on developing the Lagoa Salgada polymetallic VMS project in Southern Portugal on the Iberian Pyrite Belt. In 2022, the project gained Project of National Importance ("PIN") status making it the first mining project in the country to do so. This gives the company access to an expedited permitting process. The 2021 PEA was based on a 14 year mine life with average production of 130Mlbs of ZnEq at an AISC of US\$0.76/lb (ZnEq) with upfront capital of US\$132m including a contingency and production covers zinc, copper, lead, tin, silver and gold. The company received a streaming package from Sprott late last year.

Myriad Uranium is one of the newest uranium companies in the world. The team led by one of the founders of **M2 Cobalt**, Tom Lamb along with local partners, has put together a large package of licenses (1,800km²), previously owned by **Orano**, a leading industry player. The licenses are along strike from some of the largest deposits in the world and using a wealth of data from Orano the company are working up drilling targets for later this year.

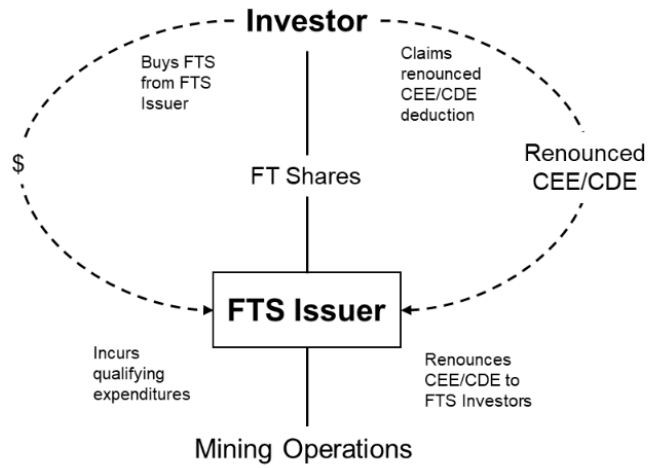
Guanajuato Silver continues to hit milestones with the announcement that all of its mills have now been restarted after their acquisition last year while the most recent exploration data shows that the known mineralisation is growing quickly. After strong Q4 production results of 836koz AgEq further growth is expected in Q1 2023 and through the balance of the year. Silver has pulled back a little at the start of 2023 but this is a huge opportunity, in our view, given the projected growth in solar demand which accounts for about 13% of annual silver demand. This is one of the most underappreciated "green metals" and the company's Aquis dual listing makes it a mini-Fresnillo and gives London investors a rare opportunity to get exposure to this trend.

Bradda Head Lithium is an interesting American Lithium play in Nevada which has a portfolio of 3 different Lithium types - Brine, pegmatite (hard rock) and sedimentary (clay) Presented by the legendary Ian Stalker (Non Exec Chairman) it does offer a lot of interesting possibilities as it is the Right Address. It also has well known shareholders such as Jim Mellon and Nigel Wray and so any investor would be in good Company. It is dual listed on TSX and Aim although most of the trade is done in North America.

Andrew tells us that most of the activity in Canada is being done through "Flow-through funds" which are unique to Canada and a great way that Canada has found to stimulate investment into its mining sector - wouldn't it be great if the UK Government could also allow a similar system in the UK as EIS and VCT basically can't be used in the Mining sector

- Flow-through shares are a financing tool available to a Canadian resource company that allows it to issue new equity (shares) to investors at a higher price than it would receive for "normal" shares, thereby assisting it in raising money for exploration and development.
- Investors are willing to pay more for flow-through shares, because the investors are permitted to claim deductions for the issuing corporation's CEE (and in some cases CDE). This reduces the investor's Canadian taxes.
- Essentially, the investors and the corporation issuing the flow-through shares (FTS Issuer) agree that the investors will purchase flow-through shares from FTS Issuer, FTS Issuer will incur certain expenditures on CEE within a certain time period, and FTS Issuer will renounce that CEE in favour of the investors. CEE renounced by the corporation cannot be deducted by it.

FIGURE 1: FLOW-THROUGH SHARE ILLUSTRATION



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