

Punting is not investing – the inside scoop on gold microcaps

Rob Bills – Managing Director and
Chief Executive Officer

The seven habits of successful
investing in gold microcaps *and*
how to avoid some of the pitfalls!



emmerson
resources

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Issues Investors Need to solve for:

- www.prerequisite.com.au/research
- **The next 25 years are not going to be like the *last 50 years*.**
- Global over-indebtedness issues & Governments promising more than they can deliver
- Extreme monetary, fiscal & regulatory policy directions
- Zero/negative interest rate environment – *the case for equities*
- Increasingly ‘no bid’ bond markets (except for government mandated bids)
- Shrinking global pool of high-quality assets..... *the case for stock picking*
- Banking system deterioration & underlying risks....*the case for gold*
- Rules based world order of the last 50 years breaking down..... *the case for diversification*
- Continued rise of populist pressures where ‘political’ mechanisms will need to solve problems in place of suppressed ‘market based’ solution mechanisms

Habit 1: The case for gold...

Similar investment proposition to buying a house yet...?



Gold price over time...



Gold as an insurance against world volatility...
weak stock markets, war, interest rate rises...



Buy gold when...

Geopolitical Risk is high - wars

Easy \$\$\$ from central banks

AAA rated bonds are low

Real interest rates are negative

Precious metals are precious (flat mine supply)

Central Banks buying gold (China & Russia)

Gold price prediction... *what the experts say but what about supply?*

Minimum High	\$2,100
Potential High with No Crisis	\$2,250
Potential High with Crisis	\$2,500
Likelihood Gold is Higher in 2022	90%
5-Year Prediction	\$3,000 to \$10,000

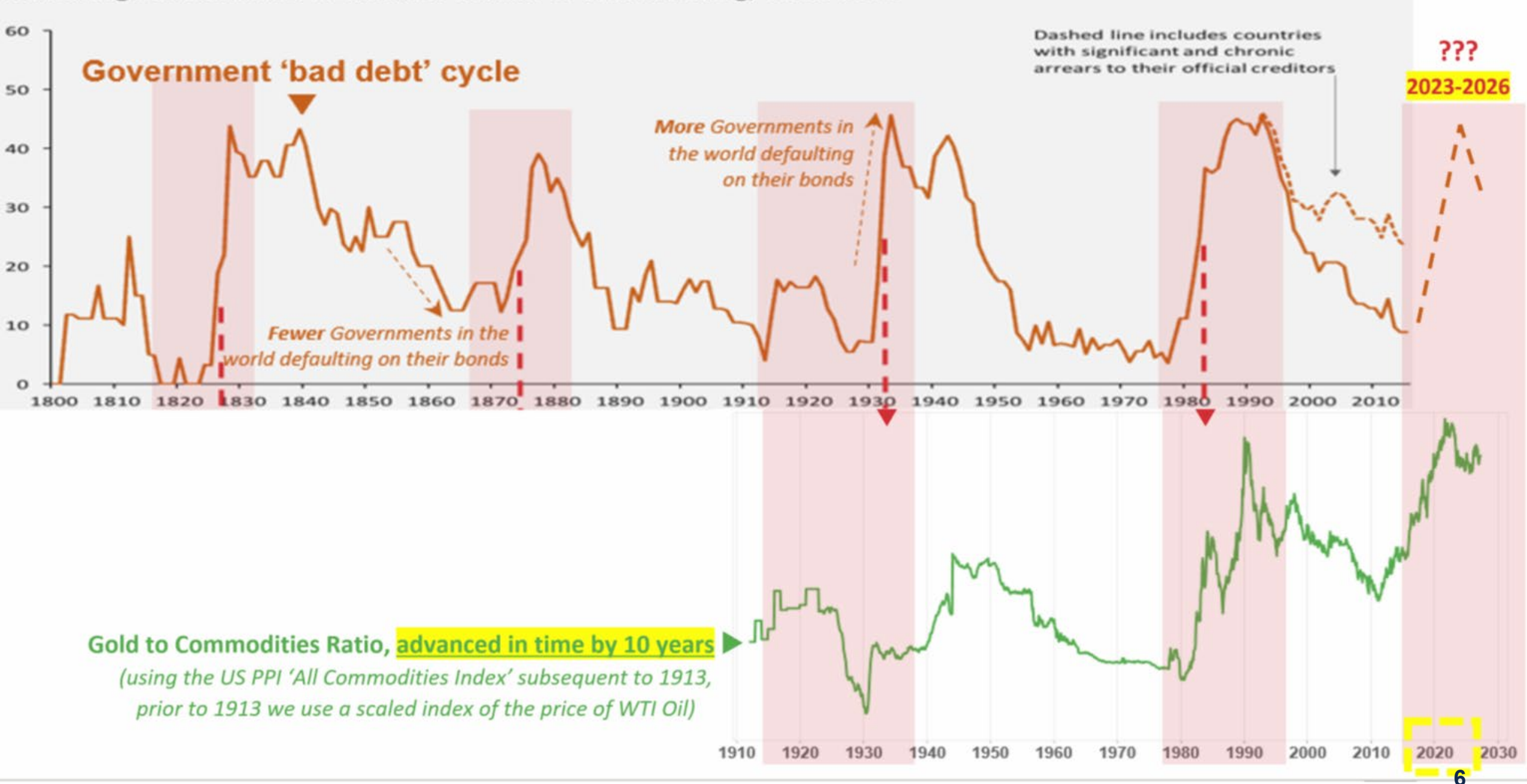
Source: GoldSilver.com

What does history say...



Default Waves

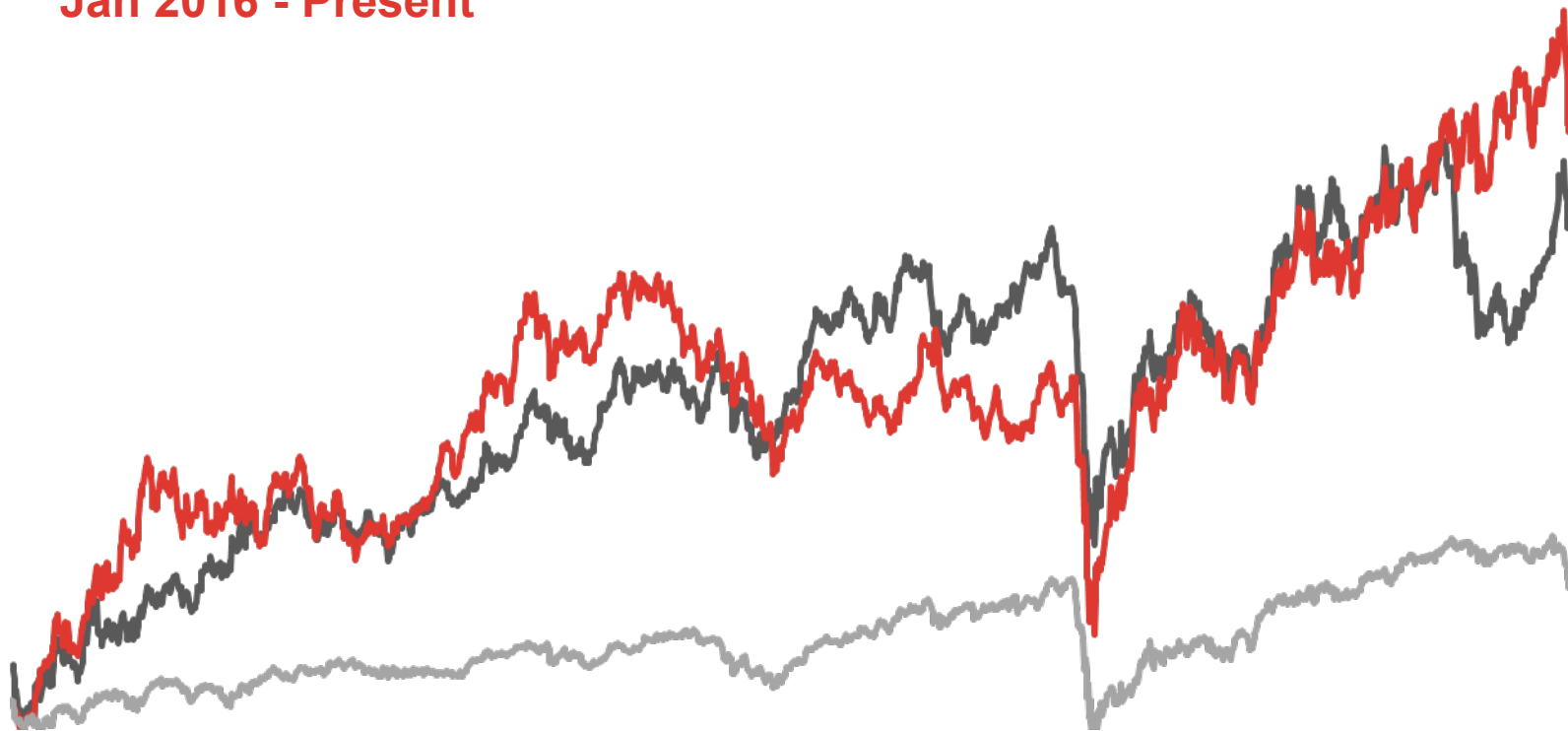
Percentage of countries in external default or restructuring, 1800-2015



Habit 2: Know your risk appetite?

The case for gold micro caps... and where they sit in your portfolio?

Jan 2016 - Present



3.0x

ASX Small Res

2.7x

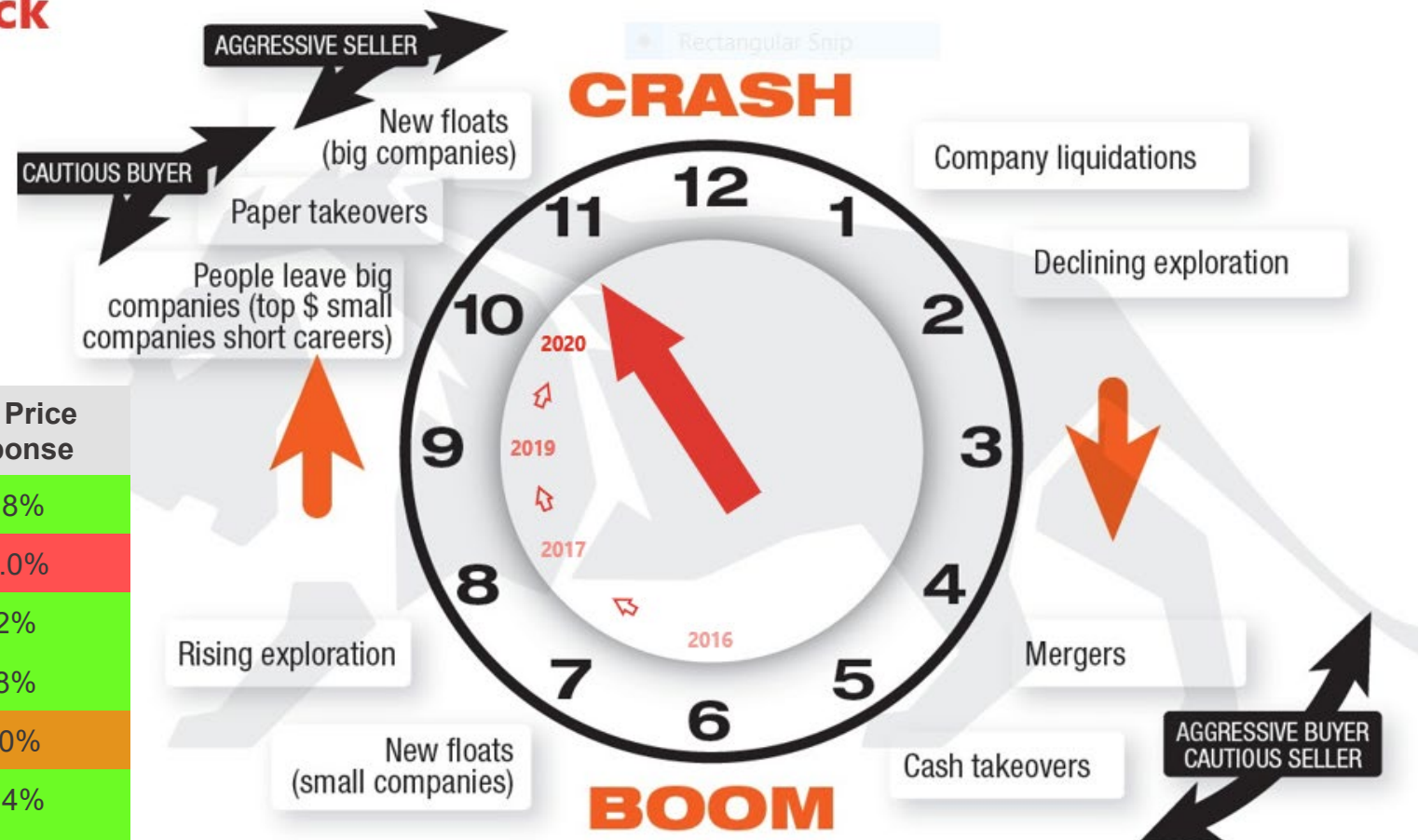
ASX100 Resources

1.5x

All Ordinaries

Habit 3: Time in the market or timing of the market – not so important with gold ... *but microcaps need access to capital*

Lion Clock Point in Market Cycle

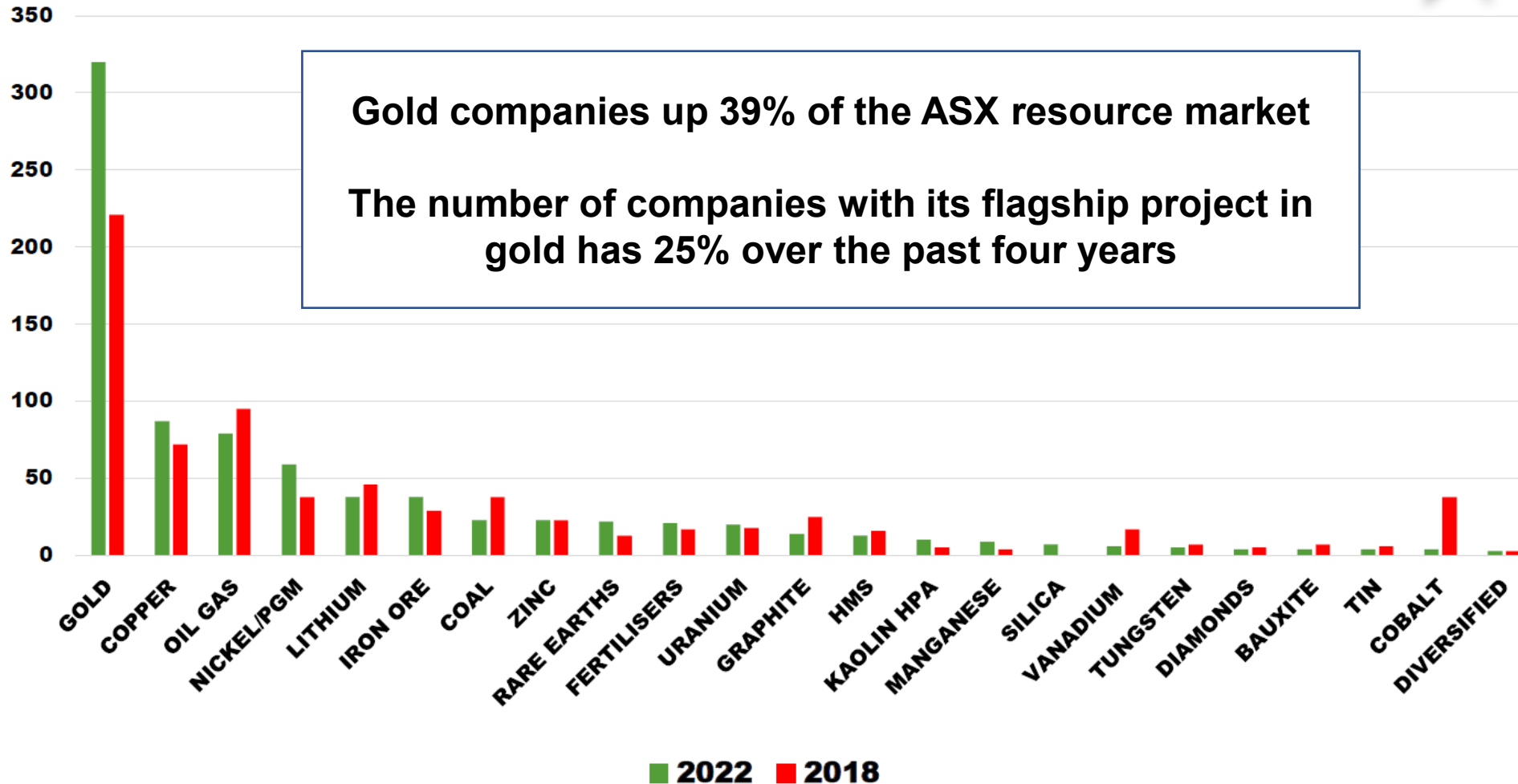


Gold behaves differently	Biggest declines in the S&P	Gold Price Response
Sep 21, 1976 – Mar 6, 1978	-19.4%	53.8%
Nov 28, 1980 – Aug 12, 1982	-27.1%	-46.0%
Aug 25, 1987 – Dec 4, 1987	-33.5%	6.2%
Jul 16, 1990 – Oct 11, 1990	-19.9%	6.8%
Jul 17, 1998 – Aug 31, 1998	-19.3%	-5.0%
Mar 27, 2000 – Oct 9, 2002	-49.0%	12.4%
Oct 9, 2007 – Mar 9, 2009	-56.8%	25.5%
May 10, 2011 – Oct 3, 2011	-19.0%	9.4%
Feb 19, 2020 – Mar 23, 2020	-33.9%	-4.9%
AVERAGE	-30.9%	6.5%

Source: Lion Selection Group

There are many gold companies.....*the portfolio effect but still need to be able to pick more winners than losers!*

COMPARING ASX RESOURCE MARKET NUMBERS 2018 -2022



We are talking about investing in the companies that find the gold



Gold from the Edna Beryl Mine – Grade is King +30g/t gold



Habit 4: Do your research... *picking the winners*



First understand the macro – environment for gold... gold behaves differently and is seen as a “safe haven”

Then the micro environment incl. risk/reward and personal circumstances...



Determine risk/reward and entry strategy?

Major versus Micro Caps (high alpha = perf. relative to benchmark)

Exploration Companies (valuation = quality of ground holding + discoveries)

Resource Companies (valuation based on tangible assets)



Credible JV partners

Sound stakeholder relations

Track record of respecting shareholders



Micro cap stock selection

...Explorers are high risk but can be very high reward! (10X)

...Producers are lower risk and lower reward

...Acquirers (purchase more advanced projects) high risk

...Royalty companies are low risk and low reward

...Companies transitioning from exploration to producers are high risk and low reward



Credentialed Board - with CEO to be a seasoned geologist

Sound business strategy in stable jurisdiction

Management and Exploration team to have a track record of discoveries



Well funded and register

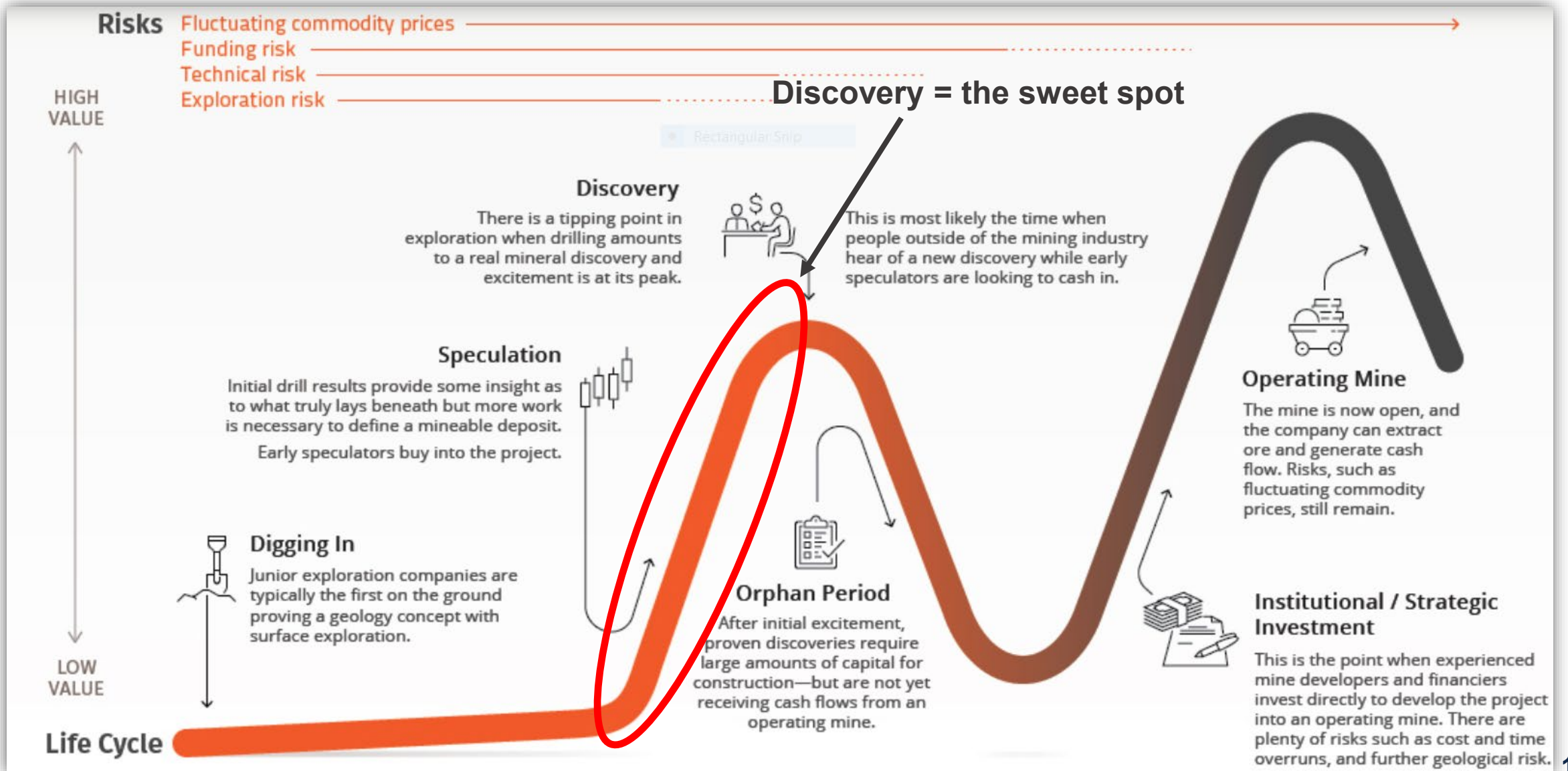
Board and Management hold shares

Ability to raise capital at appropriate times/stages

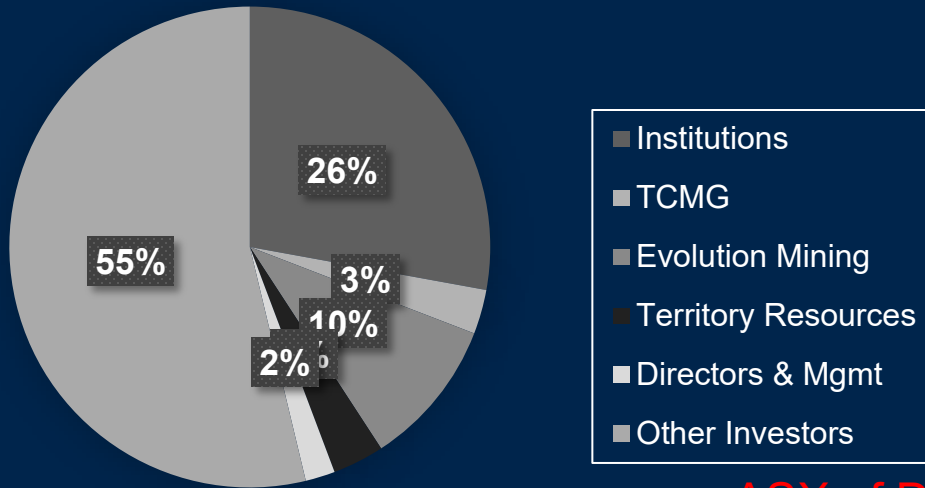
Plan B – when the capital markets are closed

Habit 5: Which microcaps will return +10x?

and where in the value cycle



Picking the winners – a more granular view



ASX of Dec 2021:
Stunning Assay
results



ASX of Oct 2021: Visible copper from drilling

CORPORATE SNAPSHOT

ASX code	ERM
Shares on issue	498.24 million
Options:	
Exercise price \$0.14	15,500,000
Exercise price \$0.16	58,000,000
Exercise price \$0.11	3,000,000
Exercise price \$0.20	15,384,615
Performance Rights	9,000,000
Market capitalisation (\$0.145/share – 31/12/21)	\$72.24 million
Cash (31/12/21)	\$3.9 million
Enterprise value (31/12/21)	\$68.34 million

Habit 6: Watch the ASX for lead indicators...

ASX Announcement

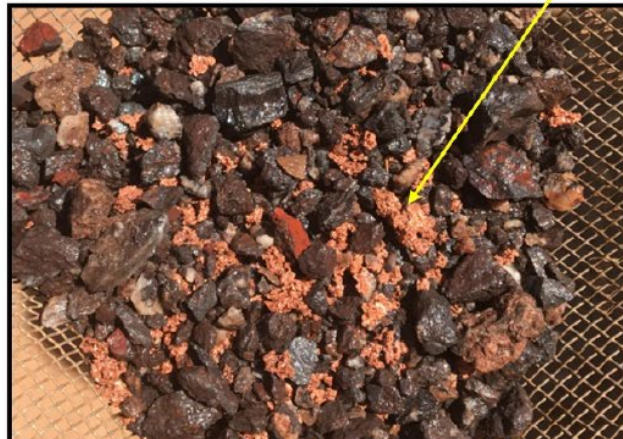
26 October 2021



Visual copper intersected in drilling at Hermitage project in Tennant Creek

Highlights

Native copper



A 267% increase in share priceis there more to come?

ASX Announcement

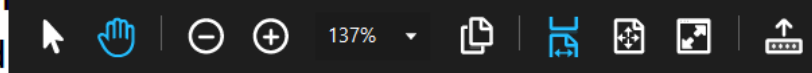
8 December 2021



Stunning 117m at 3.38% copper drill hit at the Hermitage Project in Tennant Creek ends in mineralisation

Highlights

- RC drill hole HERC003 at the 100%-owned Hermitage Project intersects continuous mineralisation of **117m at 3.38% copper from 75m including:**
 - 30m at 7.26% copper and 2.69g/t gold from 162m including:
 - 3m @ 14.91g/t gold and 4.24% copper to end of hole
- Drill hole abandoned in mineralisation at 192m and will be continued with a diamond tail in 2022
- RC hole HERC002 intersected:
 - 18m at 1.40% copper and 0.23% cobalt from 117m; and
 - 24m at 4.2g/t gold



Habit 7: What is the DNA of the company?

....better that a seasoned Geo leads the charge



Mr. Andrew McIlwain

B.Eng (Mining)

Non-Executive Chairman

Mining Engineer with more than 25 years' experience in operational, senior management and executive roles (MIM, WMC, UML & others).



Mr. Robert Bills

B.Sc, M.Sc, FSEG, FAIG

Managing Director and Chief Executive Officer

Geologist with over 30 years' experience in exploration, mining and senior management roles in WMC and BHP. Joined Emmerson in late 2007 as the Managing Director and CEO.



Dr. Allan Trench

B.Sc (Hons), Ph.D, M.Sc, MBA

Non-Executive Director

Geologist/geophysicist with extensive experience in strategy, project development and operations within the natural resource sector.



Alan Tate

B.Com, FCA, FAICD

Non-Executive Director

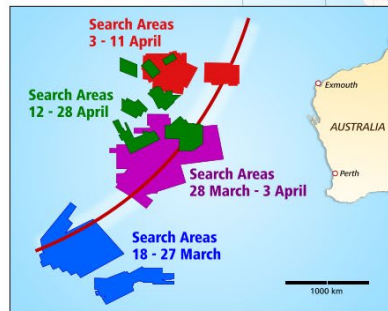
Commercial/finance leader with 30 years' experience with a focus on delivering shareholder value, including 15 years' within mining and energy industries.

What dictates success in exploration:

The top two tenets of Exploration...can you predict the next discovery... and then find it (= Detection)

Imprecise Prediction

Example of a low probability outcome: The Search for Malaysia Airlines Flight 370



Position of satellite that received last known signal from plane

Plane may have flown up to another hour after its last satellite transmission

Possible position of plane when it transmitted last signal to satellite

Discovery is the biggest value driver in the resource business
An example of where Prediction + Detection \neq Discovery

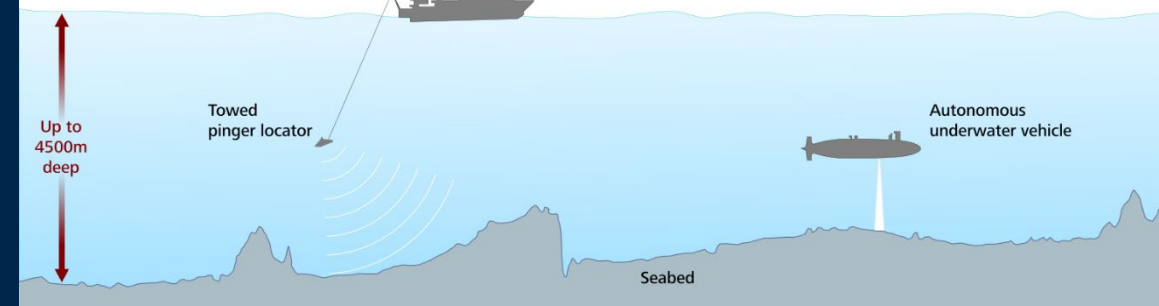
Limit of Detection Techniques

Searching for a signal

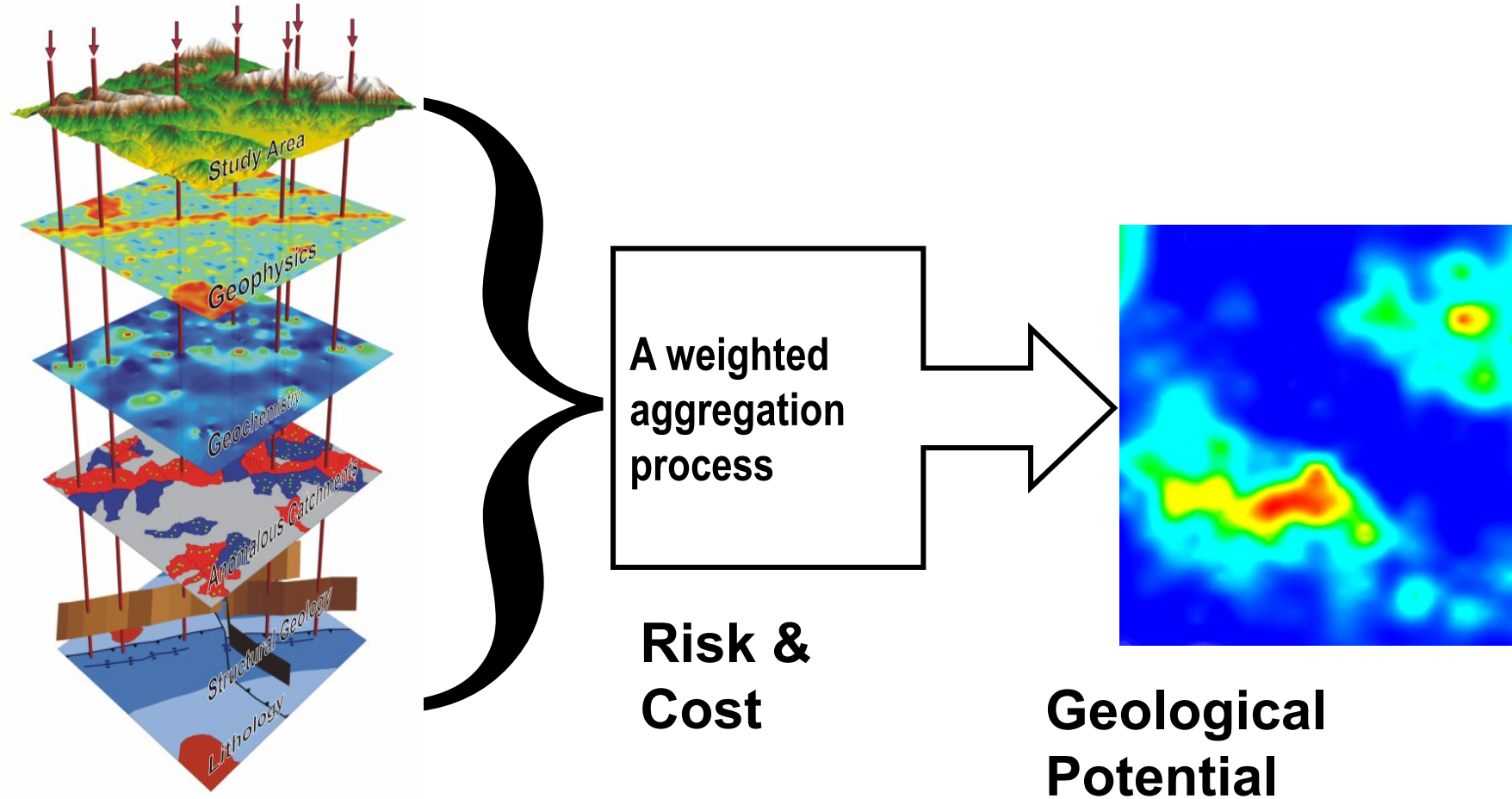
Ships tow hydrophones through water to locate signals emitted by black box

Scouring the seabed

Remote underwater vehicles scour the seabed to capture high resolution photos

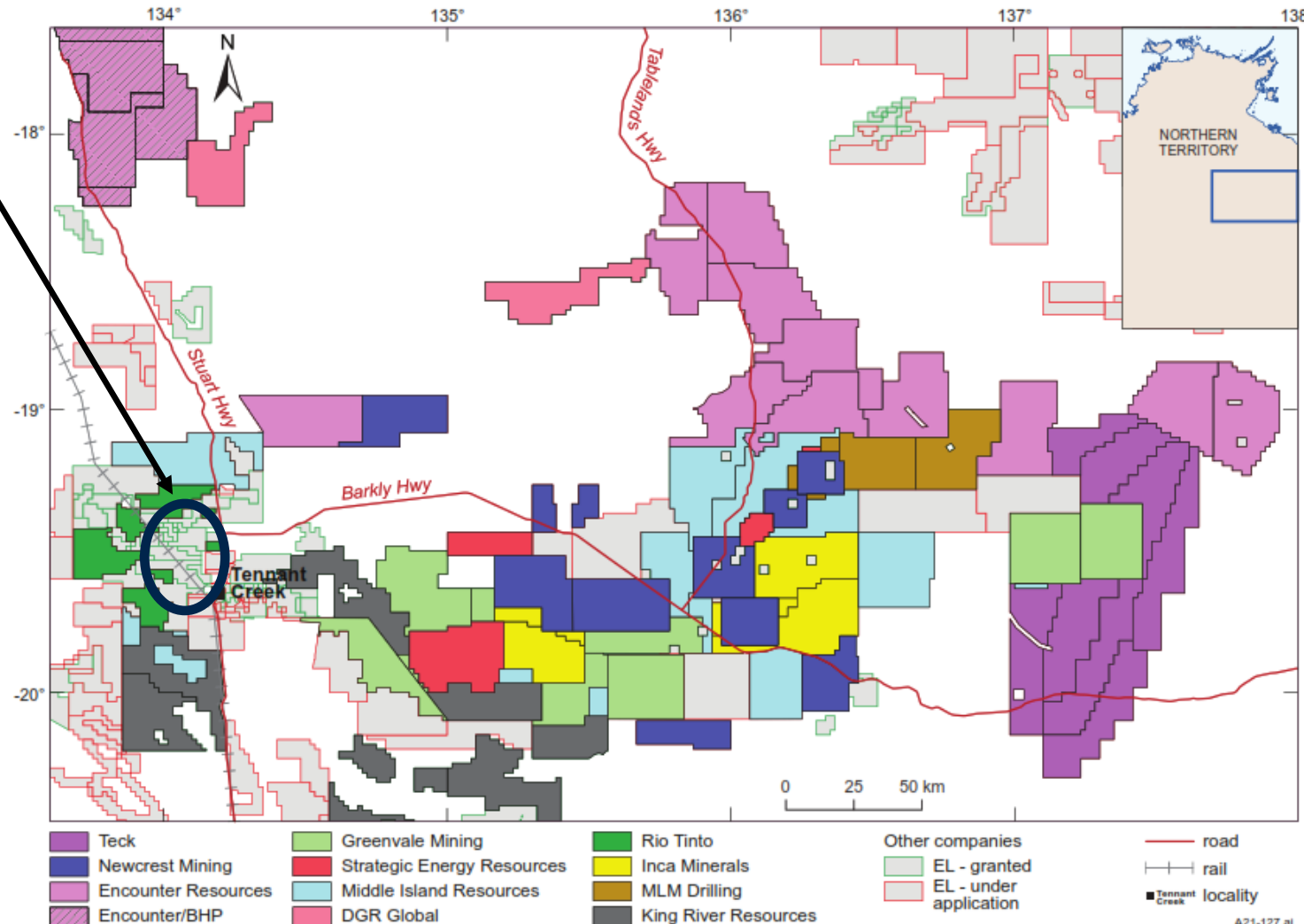


Luck is not a strategy....the logic for systematic science based exploration



Large land holdings in prospective areas....and in stable jurisdictions

Emmerson been in Tennant Creek since 2007

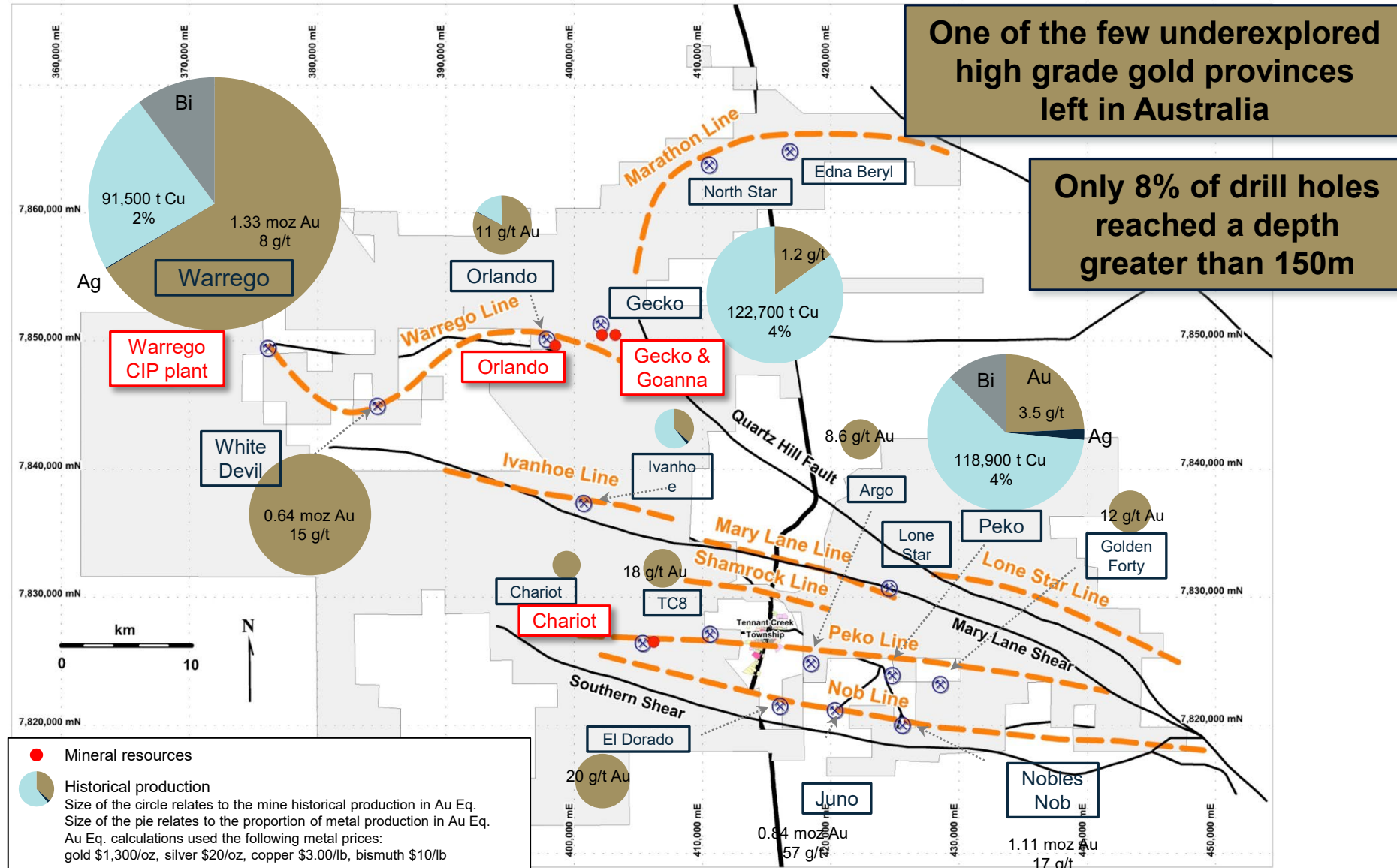


Map of exploration licences and application in the Barkly Tableland in March 2021, showing the distribution of tenure of selected exploration companies. Most highlighted licenses were applied for since 2019. (Map from AGES 2021).

Tennant Creek – historical gold and copper producer

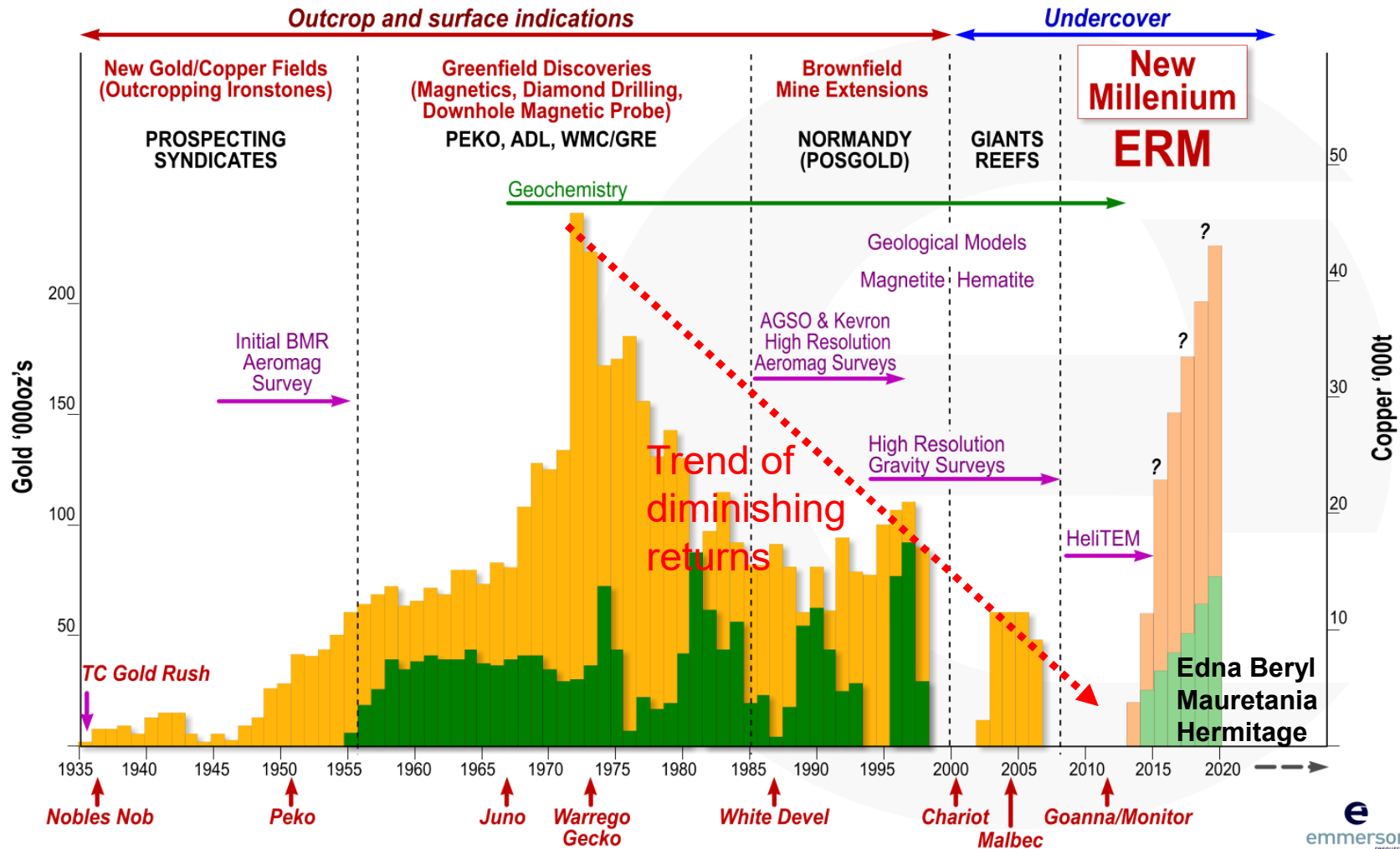
Undervalued and underexplored

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resources



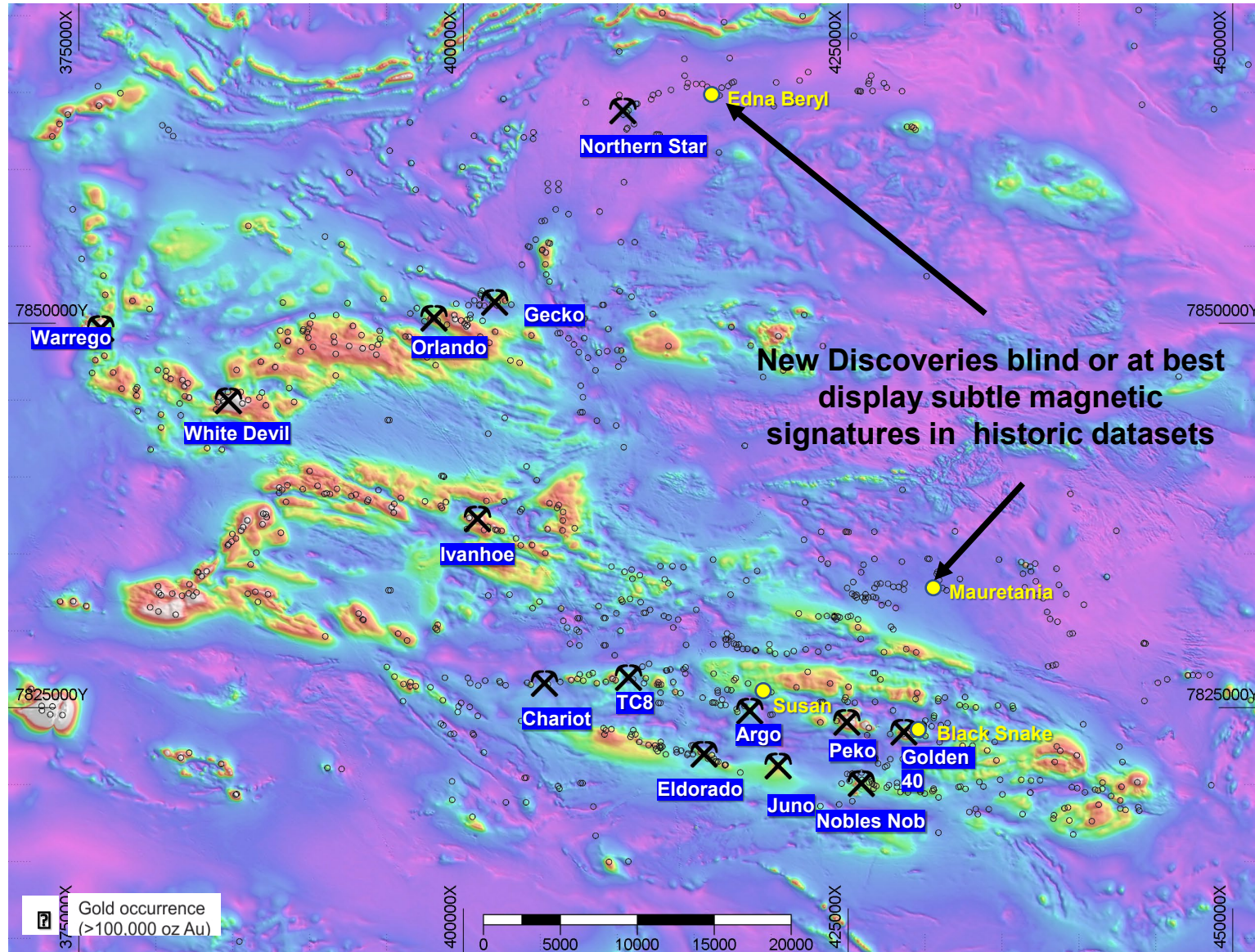
Discovery history

New detection techniques = discoveries

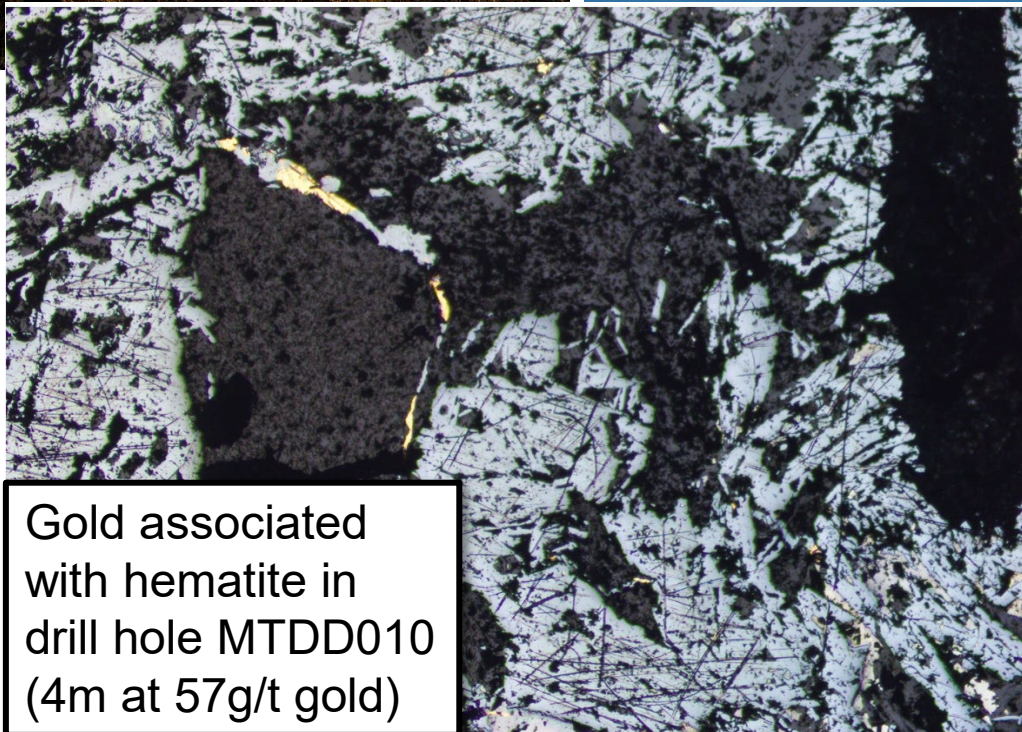
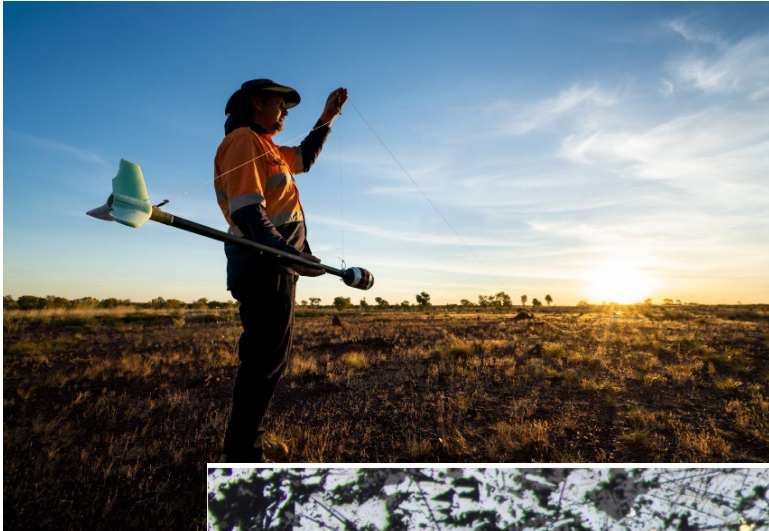


Deployment of new technology and techniques to make new discoveries

Fixed-wing aeromagnetics was effective back in the day but finds only the most obvious magnetite hosted deposits

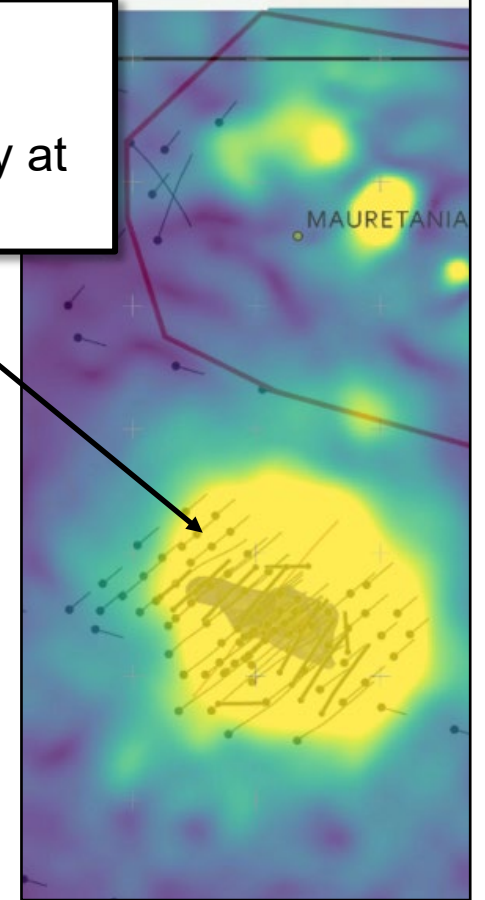


New detection technologies - 10,000-line km high resolution drone magnetic survey 70% complete... aimed at generating a new family of hematite (+/- magnetite) hosted deposits



Gold associated with hematite in drill hole MTDD010 (4m at 57g/t gold)

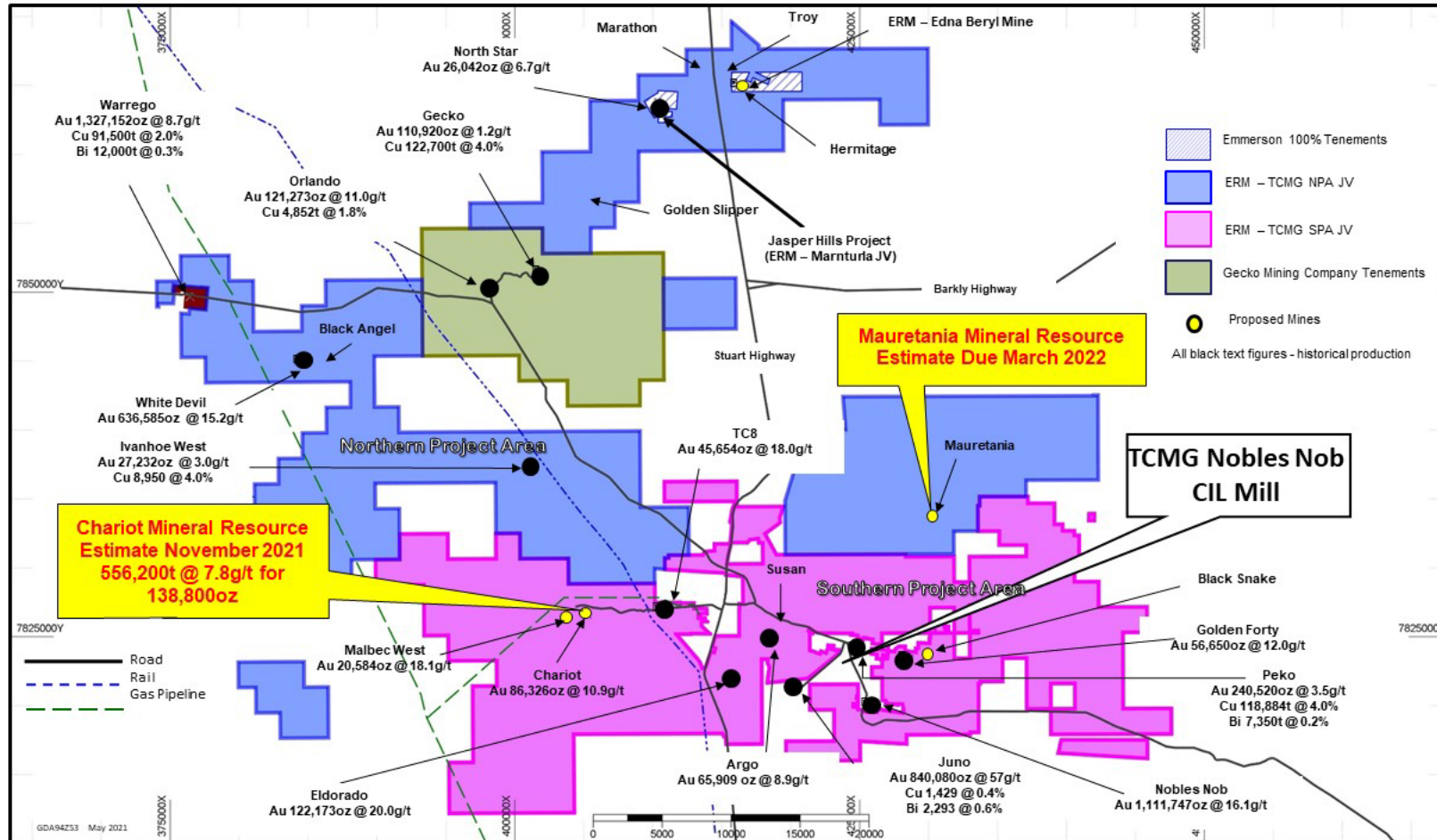
Proof of concept....drone magnetic anomaly at Mauretania



Mauretania....now you see it!....gold associated with hematite, some residual magnetite = subtle magnetic anomaly

Need a pathway to unlock the full value of the company..

Unlocking stranded assets.....

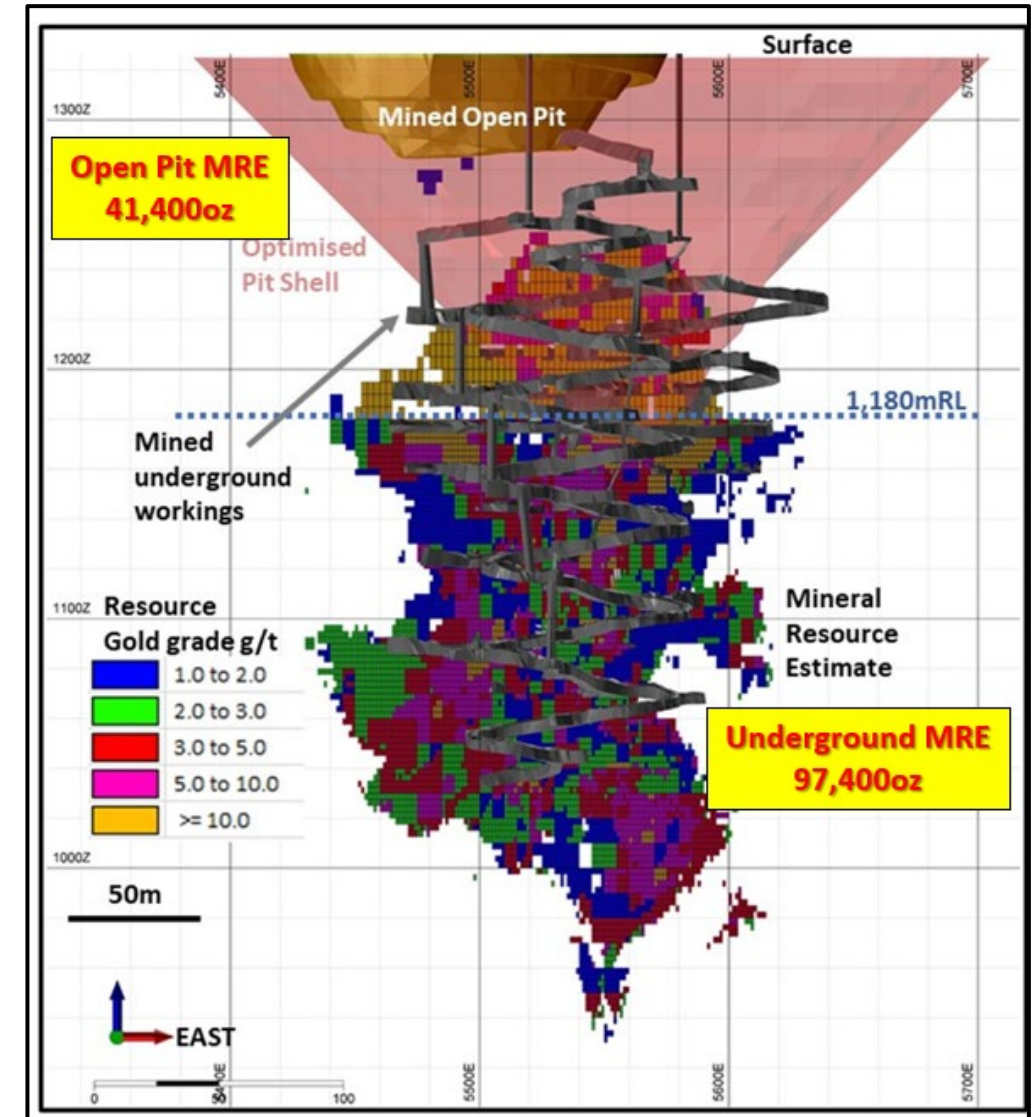


- Our JV partners TCMG... privately listed and funded through a number of international private equity firms
- TCMG have secured a CIL processing plant... with the objective of unlocking stranded assets in Tennant Creek
- Complimentary relationship with ERM consisting of:
 - Exploration JV (TCMG earning in)
 - Mining and Processing JV (ERM receives 6% gold production royalty)

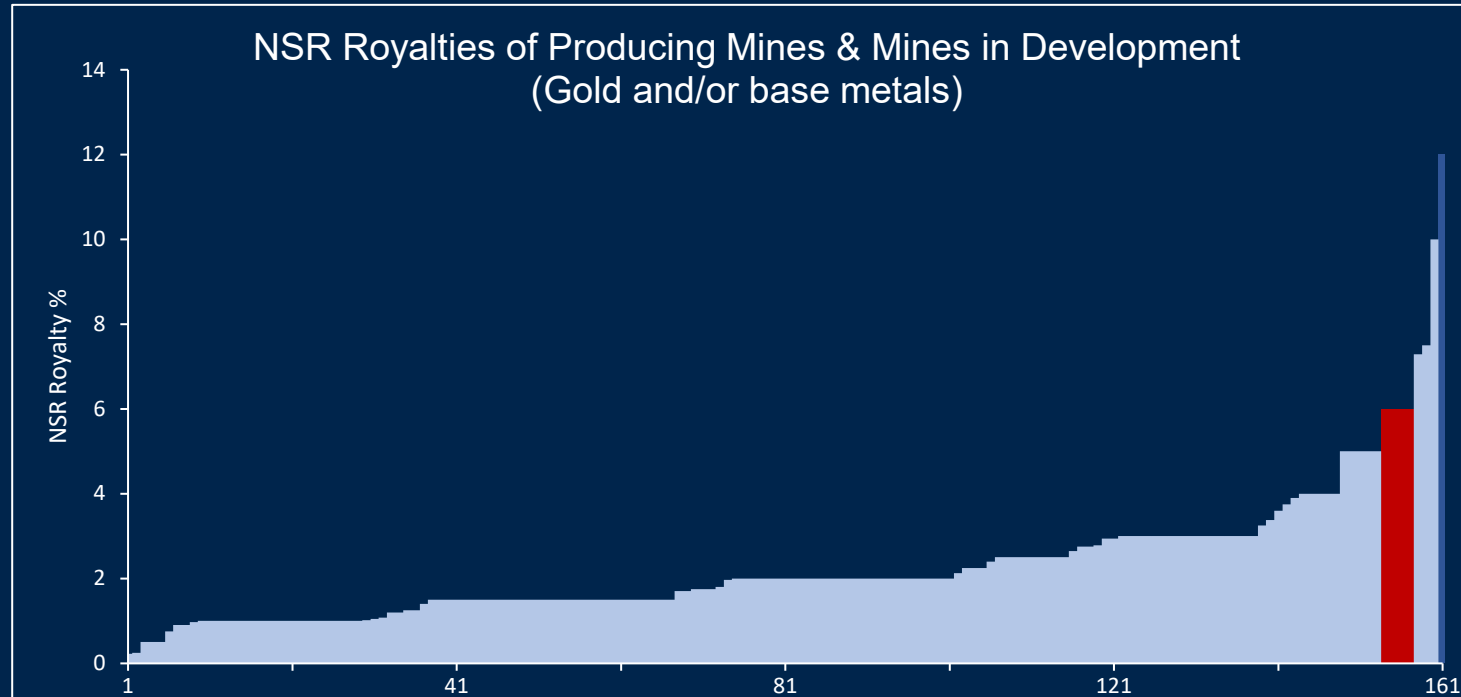
Valuations overtime based on tangible assets

Highlights:

- Mineral Resource Estimate (MRE) for the Chariot gold deposit at Tennant Creek increased total ounces by 40% to: **556,200t @ 7.8g/t Au for 138,800oz Au**
- New resource estimate supports a conceptual **high grade 17.7g/t Au open pit and 6.3 g/t Au underground** operation
- Chariot resource remains open and poorly explored at depth so significant scope exists to increase the resource with further drilling
- Emmerson is entitled to a free carried 6% gold production royalty from Joint Venture Partner, Tennant Consolidated Mining Group over all mines within the Joint Venture areas, including Chariot
- Chariot is one of several mines which are undergoing scoping studies by TCMG ahead of finalising the mining and production schedule



What happens if the markets are closed to capital raising?.... *mitigating the risks through gold royalties*



Chariot resource just released

Mauretania this month

Others to come...

Source from Arum Analytics: x -axis = *Franco-Nevada Corporation, Wheaten Precious Metals Corp., Royal Gold Inc., Osisko Gold Royalties Ltd, Sandstorm Gold Ltd.*

There is case for selective gold micro caps in your portfolio....but



Know how to pick the winners....you do not have to be a geologist!



Monitor progress and capital requirements



Add some sizzle to your investment portfolio

- Small investments to start or dollar cost average



Look for complimentary commodity mixes:
Copper, Lithium, Alumina, Cobalt (the CLANK's)



Do the research:

- conferences
- research (Austex, Mining News...)



Need seasoned and credentialed Board

Plus focussed strategy with Plan B





Contact

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ASX: ERM

Competent person statement

The information in this report is based on information compiled by Dr Ana Liza Cuison, MAIG, MSEG. Dr Cuison is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2004 edition and the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Cuison is a full-time employee of the Company and consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

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This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Emmerson Resources Limited's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan", "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Emmerson believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that further exploration will result in the estimation of a Mineral Resource.

Regulatory Information

The Company does not suggest that economic mineralisation is contained in the untested areas, the information contained relating to historical drilling records have been compiled, reviewed and verified as best as the Company was able. As outlined in this presentation the Company is planning further drilling programs to understand the geology, structure and potential of the untested areas. The Company cautions investors against using this announcement solely as a basis for investment decisions without regard for this disclaimer.

Authorised for release by the Managing Director, Mr Rob Bills