The Lind Partners, LLC

Some companies represented: **Herencia Resources**
Blackham Resources
Australian Pacific Coal

Project locations: **Australia, Canada, UK**

Commodity / resources: **Multiple, inc. coal and gold**

THE LIND PARTNERS

Company summary

The Lind Partners is a New York-based asset management firm focused on small-cap companies publicly traded in Australia, Canada and the UK. Lind employs a multi-strategy approach to investing, including: solo, direct investments of new capital; participation in brokered/syndicated placements; and selective on-market trades. Since 2009, the Lind team has completed over 50 direct investments, totaling over $475 million in transaction value and has participated in numerous syndicated equity placements.

The Lind Partners: Unearthing Real Value

Spotting value in rocks is one thing. Having an innate sense for both the worth of the rocks and of the spotter is a different skill-set altogether – one that Jeff Easton and Phillip Valliere have refined over the past 15 years.

Founder and Managing Director of New York-based The Lind Partners, an asset management firm that manages the Australian Special Opportunity Fund and the Canadian Special Opportunity Fund, Jeff Easton and his Partner and joint Managing Director, Phillip Valliere, have a reputation for helping small-to-medium-size companies to not only find their feet but also to excel in all types of market conditions. Lind selectively invests across a broad range of industries and economic environments with a focus on companies with market capitalisations ranging between US$25 million and US$1 billion. The team at Lind has established an enviable track record and reputation for backing the right people with the right projects and doing it at the right time - making the process all the more rewarding for all concerned. Easton and Valliere believe the time is almost right for a recovery for many of the small mining firms that have suffered so greatly over the past 12-18 months.

"We believe this is a unique time to be investing in the junior mining and exploration sector; it is reminiscent of the US technology sector in 2003 after the bubble burst in 2001 and right before life came back to the industry," Easton said.

"The last few years have been very tough for all market participants, but this year there are a many more favourable factors coming to light which is increasing both value and liquidity to the junior end of the market," Valliere stated, then went onto add, "Money will come back into the mining sector after having gone through a massive dislocation and consolidation during 2012 and 2013. The companies that survived – ones that were well funded, had stellar projects or had savvy management teams – are due for a re-rating as investors cycle back into the mining sector. When this happens

Photo: Bloomberg News

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investors will find that there are far fewer companies to allocate investment capital into, compared to recent years where there was a plethora of hopeful juniors.

Easton explained: "What the market is paying attention to today isn't what the market is going to be paying attention to in six months. We believe that commodity prices have hit a bottom and, as prices rise, you will see strong interest returning to junior issuers more so than commodity ETFs. The valuations of many of these companies are very compelling at their current price levels.

"We do think – perhaps in the third or fourth quarter of this year – that we are going to see a big rally in the small-cap junior end of the mining sector. Late last year and thus far in 2014, we have noticed a 'stealth rally' starting to occur."

Passion for Small Caps

Prospects for exploration success and project development are not the only factors that draw Easton and Valliere to the junior mining equity space in Australia, Canada and the UK through The Lind Partners' investment vehicles. "We are very careful about who we invest with and we understand the challenges faced by management teams of growing companies. We structure all of our investments in a way that is intended to maximize our portfolio companies for success. We are constantly on the lookout for good management teams and exciting projects that are the right stage to benefit from our institutional investment platform.

Since 2009, the Lind team has completed more than 50 direct investments for a total transaction value in excess of A$475 million. The firm has built a reputation as a leading provider of growth capital to the small- and mid-cap sector, including bulk commodities, precious and base metals and oil and gas, biotechnology, sustainable and alternative energy companies, and other growth sectors. Easton says Lind's entrepreneurial culture embraces and encourages creativity while preserving its core values of integrity and disciplined investing.

"We work diligently with management teams to offer funding options to provide a solution that works best for the company in its current phase of growth. The flexibility of our various

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investment structures is quite important because, for example, if a company feels it is drastically undervalued and a large equity placement would be highly dilutive, Lind will commit to a similar amount but not invest all of the capital at one time at one price level, rather stage in the capital over time, allowing the company to take advantage of higher stock prices and larger capital amounts as it hits milestones and gets a re-rating in the market – until such time as other sources of funds become available to the company, typically bank debt, off-take agreements and strategic or cornerstone investors.

"Often times Lind will commit to fund a company for two to three years; however, our capital may only be needed for 6-12 months because that is all that is ultimately required for the company to complete its intended goal. In all of our long-term investments, we provide the flexibility for an investee company to increase, decrease, pause and terminate (in most instances for no cost) – so it is really a quite effective and low-cost equity funding alternative.

History of Picking Winners

"We have a long and proud history of finding diamonds in the rough that ultimately go on to find great success operationally as well as being able to obtain significant amounts of new capital for the next development phase through a large broking house, cornerstone investor or a JV partner."

Recent examples of this include Lind's work with Australia based, but AIM-listed, Herencia Resources and ASX-listed gold and coal explorers, Blackham Resources and Australian Pacific Coal, respectively.

Helping Hand for Herencia Resources

Early in 2013, Herencia Resources (AIM:HER), which shifted its focus from zinc/lead to copper in Chile, secured up to US$15 million in funds from Lind to progress development, permitting and resource/reserve drilling in Chile. Upon signing, Lind invested an initial US$1.2 million via a convertible security and ordinary shares plus the share purchase arrangement they signed which Lind committed up to a US$13.8 million via monthly share subscriptions for up to 24 months. Lind's funding gave Herencia vital working capital support to further its development work plus the added security and the certainty of funding for the longer term, which enabled Herencia to continue other project financing initiatives.

Herencia Managing Director Graeme Sloane said that Lind's funding structure offered the company a number of key benefits and was "an excellent outcome … especially given the challenges facing junior companies raising funds in today's market". It allowed Herencia to continue key project development and permitting activities and, more importantly, to advance its understanding of porphyry-copper mineralisation at

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– Graeme Sloane, Herencia's managing director

Photo: Bloomberg News

"The agreement with Lind, along with the concurrent placement to sophisticated investors, will allow Blackham to advance exploration efforts with hopes of unlocking significant value at its Matilda gold project"

– Bryan Dixon, Blackham's managing director

its main project. "This funding will allow the company to maintain the project's considerable momentum along the path toward mine development," Sloane said.

He added later: "The reality is that there are a number of providers available and as a junior you need to weigh up what is best for your shareholders. We were confident that the guys at Lind would do exactly what they said they would and, in fairness, that is exactly what they did. The deal that they offered enabled us to get to our next milestone, but while models like this are relatively common on the ASX there were a number of unknowns on how the AIM market would take the funding package. That made it very important that we were confident that Lind would be as focused as we were on de-risking the company and putting us in pole position for institutional investors to get interested in our project."

Herencia recently announced a joint venture agreement with OZ Minerals and raised £2.48 million at 25% premium to the market from Hong Kong-based Shining Capital Ltd. Recent filings indicate that Lind funds hold a 5.98% stake in Herencia.

Big Boost for Blackham

In the case of Blackham Resources (ASX:BLK), Lind's funding was combined with a separate A$1 million placement. The combined package of up to A$9.15 million allowed Blackham to ramp up exploration at the Matilda gold project in Western Australia's Wiluna gold belt where bonanza-grade gold was being found near existing, extensive low-grade resources.

Bryan Dixon, Managing Director of Blackham, said the strong institutional support came at a critical time for the company. "The agreement with Lind, along with the concurrent placement to sophisticated investors, will allow Blackham to advance exploration efforts with hopes of unlocking significant value at its Matilda gold project. These agreements

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ensure that our ongoing efforts are fully funded as we advance Matilda over the coming months."

Blackhham Resources recently raised A$13 million from Grand Central Gold Pty Ltd via a share placement at 37% premium to the market, and a convertible security which converts at 63% premium.

Huge Advance for Australian Pacific Coal

Australian Pacific Coal (ASX: AQC) also secured a A$5.575 million funding from Lind in the latter stages of 2012 to progress its Queensland coal exploration programme.

Under the share purchase and convertible security agreement, AQC would receive $400,000 immediately in the form of a convertible security and prepayment for shares. Lind would then invest $75,000-$225,000/mth via share subscriptions over two years.

AQC chairman Peter Ziegler said the agreement allowed the company to advance its exploration programme with the aim of unlocking significant value. An experienced company director, asset management firm principal and Supreme Court solicitor, Ziegler said the company wouldn't hesitate to recommend Lind's funding approach to other listed companies on the ASX or elsewhere, given the tangible advantages it had received to date.

"It has been an absolute delight to deal with Lind since the company's initial involvement with them up until the present time," Ziegler said, adding the relationship had been valuable to AQC and its shareholders because of the certainty of significant funding provided. "Lind's funding, enables AQC to explore and develop its coal projects and to meet its general working capital needs," he said.

"Lind is easy to deal with in terms of their knowledgeable and experienced staff, both in terms of the documentation required for establishing the funding facility and in its implementation. It has really been a seamless process from the very beginning. "AQC considers that Lind's business model is not in conflict with AQC's economic model and strategy. Both organisations attempt to generate financial returns by prudent investment of their capital and both need to succeed for the relationship to make economic sense. It certainly does so for AQC."

Ziegler said AQC also appreciated Lind's longer-term perspective when undertaking investments. "Unlike other available funding facilities in the market, Lind does not appear to be unduly influenced by short-term market cycles in undertaking its organisational decision-making. To the extent Lind needs to dispose of any of its AQC shareholding to re-balance its portfolio or for other reasons, it does so in a pragmatic manner, bearing in mind then existing market conditions, available liquidity in AQC's stock and the company's prospects from time to time.

"AQC considers Lind is positively backing current management, in particular Mr Paul Byrne, the company's CEO and managing director, in terms of his vision for the exploration and development of the company's coal assets."

Australia: A Gateway to Worldwide Opportunities

Easton said: "Lind continues to see Australian connections in many of its worldwide investments. As we expand, we envision having a continued focus on Australia, not only for its dearth of mining juniors but also as a gateway to investing in Australasia. For us, the way to play Asia is also through Australia. We think that it's a tricky market to understand but there's a natural need for the Chinese and the Australians to work together having to due with expertise Australians have and the asset base that China is dependent on. If we are going to play Asia we are going to play it through Australia and our team has had success working through that channel."

Valliere added: "Lind has historically made most of its investments into Australian companies but we have already expanded into UK and Canadian markets, by virtue of launching the Canadian Special Opportunity Fund, and we will aggressively continue our global expansion; meanwhile, continuing our core focus on Australia."

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– Jeff Easton, Lind Partners managing director

From a commodity standpoint, Easton said, at the moment, the firm liked a broad suite of commodities and is certainly enjoying the recent uplift in the uranium sector through direct investments we recently completed with Laramide Resources and Aura Energy.

"There's no commodity that's a particular focus, per se," Valliere commented. "We think that all, or most, should come back; we don't pretend to be able to market-time individual commodities but we do try and maintain a diverse mix of companies in our portfolio that should give us a range of exposure to various commodities, including uranium, coal, nickel, gold, silver, diamonds, copper, iron ore and lithium."

"Companies find it refreshing that we make a sizeable investment in the company's growth but we don't want a seat on the board," Valliere said. "The value we add is demonstrated by the fact that so many of our companies and management teams come back to us for follow on investments."

The Lind team admires the courage and determination of the individuals and companies in the junior mining and exploration sector as well as the often time under-appreciated but vital role this group plays in the global economy. We have a firm understanding of our role in the capital markets and it is an absolute pleasure to provide the crucial capital necessary to help our investee companies succeed.

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