



# Investor Presentation

*Unlocking value from the world's best diamond projects*

July 2020

EHR Resources Limited  
ASX: EHX

Managing Director:  
Peter Ravenscroft





# Forward Looking Statements

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Certain information contained herein regarding EHR Resources Ltd, including management's assessment of future plans and operations, may constitute forward-looking statements under applicable securities law and necessarily involve risks, including but not limited to risks associated with mining exploration, operating costs, production costs, volatility of share prices, currency fluctuations, imprecision of resource and reserve estimates, environmental risks and ability to access sufficient capital from internal and external sources.

As a consequence, actual results may differ materially from those anticipated in any forward-looking statements. Plans, intentions or expectations disclosed in any forward-looking statements or information should not be read as guarantees of future results or events, and will not necessarily be accurate indications of whether or when or by which such results or events will be achieved.

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# EHR Resources

A mineral resources company with an increasing focus on diamond exploration and development

## The Opportunity

- The diamond cycle is currently at a very advantageous position for project acquisitions – severe underinvestment, supply shortfall ahead

## The People

- EHR management brings deep global industry knowledge and technical expertise in diamonds
- Board with a demonstrated track record in realising value from resources projects

## The Strategy

- Identify and acquire a portfolio of interests in incomplete evaluation programs on world class discoveries at a low entry cost
- Unlock the latent value from these projects through disciplined project level funding and technical expertise



# Diamond Strategy

Successful investment in the sector requires a new approach

## Focused entry

- High quality missed opportunities
- Project level incubation funding
- Identify incomplete evaluation programs on promising discoveries in Canada, Botswana, Australia
- Carefully targeted funding will prove real value in many cases
- Project entry after discovery, at least microdiamond identification
- Initial investment at relatively low cost (<\$5-10M per project)

## Leverage unique capabilities

- Global industry knowledge and technical expertise
- Project selection and rigorous evaluation by industry-leading experts
- Comprehensive global project database for project benchmarking
- Clear understanding of risks/opportunities
- Leveraging uncertainty by superior knowledge and expertise

## Manage risk

- Balanced portfolio
- Large company experience
- A portfolio of hand-picked 5-10 projects across different localities, development stages and varying risk profiles
- Dynamic portfolio management optimizes value and limits stagnation of pipeline
- Project selection, portfolio management and investment governance based on extensive large company experience

## Path to unlock value

- Patient capital invested in asset ownership
- Asset-level earn-in to control position
- Focus on in-ground expenditure and low overhead
- Maximized investor returns by early asset sale or staged funding to PFS and beyond
- Ultimate evolution into pure-play diamond mining mid-cap

# Why Diamonds?

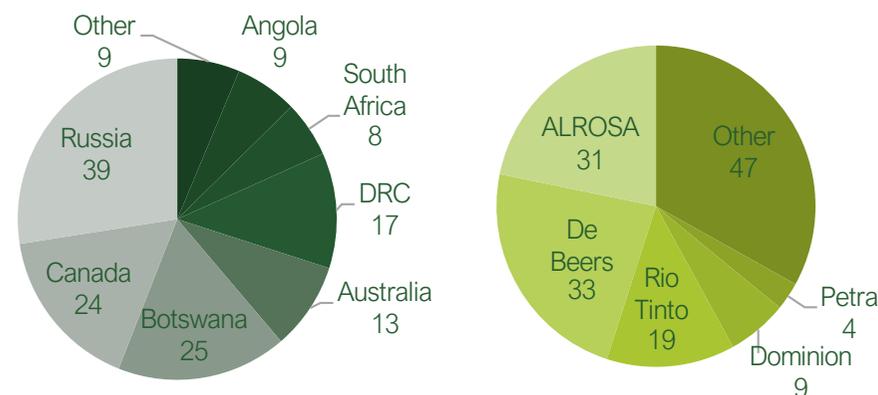
## The diamond sector opportunity

- Size and Scale
- Diamond mining generated US\$12 billion in revenue in 2019
- Concentrated Market
- Canada, Australia and Botswana accounted for 44% of global diamond production in 2019
- Stable jurisdictions
- Diamond sector is dominated by a handful of large global players, and many undercapitalised junior explorers
- There are very few midcap diamond miners, and these are generally single-mine producers

Source: *The Global Diamond Industry 2019*, Bain & Company

Global Revenue across Value Chain - 2019 US\$ billions (\$160B total)

|                   |                                |    |
|-------------------|--------------------------------|----|
| Rough Diamonds    | Exploration, Production, Sales | 12 |
| Polished Diamonds | Cutting and Polishing, Sales   | 19 |
| Diamond Jewelry   | Design and manufacturing       | 51 |
| Retail Sales      | Jewelry and Watches            | 78 |



2019 World Production – Total 142 Million Carats by country and by company

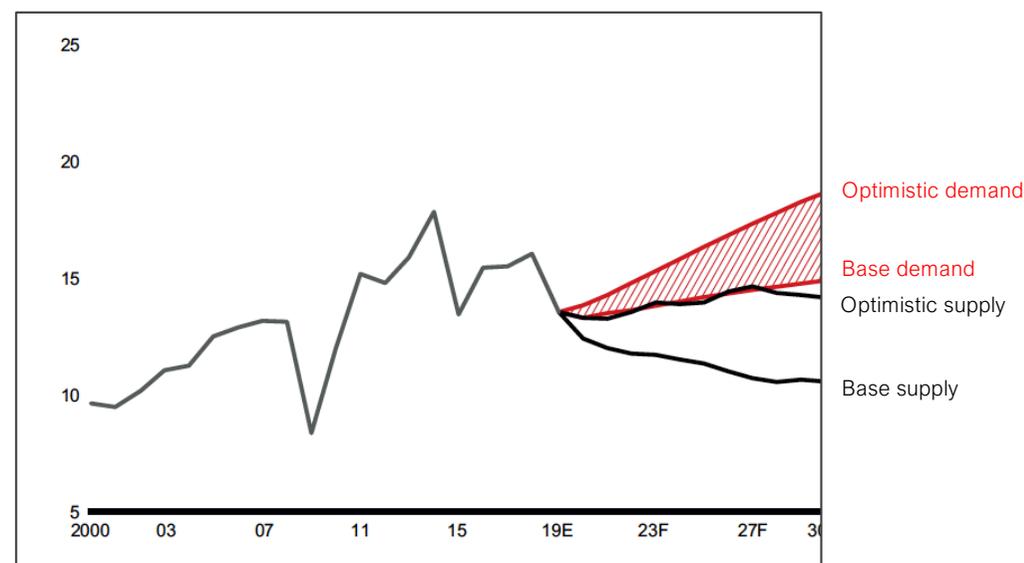
# Why Diamonds?

An industry needing significant investment over next 10 years

- Significant forecast supply shortfall
- 2019 global production of 142 million carats for total revenue of ~US\$12 billion
- Forecast supply shortfall in 2030 varying between 20% and 35% of world demand
- Need for additional 35-75 million carats per year from future mine projects
- Current project pipeline forecast to add only 10-20 million carats by 2030

3x increase in exploration spend required now to meet forecast industry demand

Natural rough diamond supply and demand values, \$ billions (in real terms), 2000-30F



2019 prices, constant exchange rates, optimistic and conservative scenarios  
 Source: *The Global Diamond Industry 2019*, Bain & Company

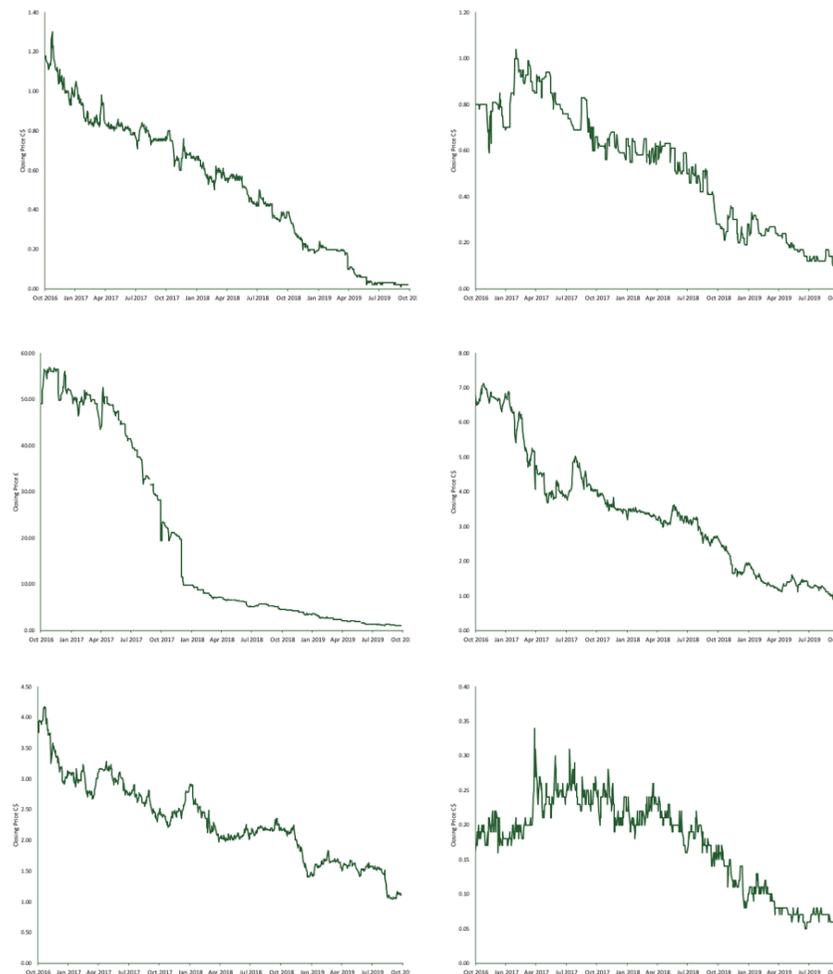
# Why Now?

An ideal time in the cycle for asset buyers

Diamond exploration companies can't source capital at acceptable prices and are unable to function

- Market cap 70-90% down from 3-year high
- Capital raising at impractical level of dilution
- Unable to fund projects and no news flow
- No relief from downward spiral

Typical share price profiles of diamond juniors over last three years



# Disciplined Strategy Execution

Managing risk through a diverse portfolio of hand-picked assets

## Portfolio Focus

### Project Style

- target deposits with high value diamonds
- larger sized stones, coloured stones, higher qualities

### Location

- traditional diamond elephant country (Canada, Botswana, Australia)
- no high-risk jurisdictions

### Scale

- mid-tier deposits that are not in focus for majors
- potential district scale for future value generation

## Portfolio objectives

### Earlier stage generative exploration

- green/brown fields projects in areas of unresolved opportunities
- project generator model with leading diamond explorers

### Advanced exploration projects

- incubation funding of stalled projects
- JV partnerships with select owners
- control ownership of asset

### Potential early cash flow / capex management

- small low capex/opex development opportunities
- continual monitoring of distressed current operations
- equity positions or partnerships

# Board and Management

Demonstrated track record in realising value



**Stephen Dennis**  
Non Executive Chairman



**Michael O'Keeffe**  
Non-Executive Director\*



**Jeremy King**  
Non-Executive Director



**Marc Dorion**  
Non-Executive director



**Peter Ravenscroft**  
Managing Director

- 40 years of experience in the international mining industry, with specific knowledge of diamonds.
- Background in exploration, geostatistics, resource evaluation and mine planning.
- Has held senior technical and leadership roles in De Beers and Anglo American in southern Africa, and Rio Tinto in the UK, Australia and Canada. Was for many years Rio Tinto's leading expert on diamond resource evaluation.
- Has acted as an independent consultant providing strategic advisory services to a number of global clients, with a particular focus on the diamond sector in Canada.

\* Michael O'Keeffe is EHR's major shareholder and Executive Chairman of Champion Iron Limited (ASX: CIA)

# Corporate Overview



| ASX Code                            | EHX      |
|-------------------------------------|----------|
| Issued Shares                       | 184.5m   |
| Options (unlisted, escrowed)        | 13.5m    |
| Market Capitalisation (6 July 2020) | A\$18.5m |
| Net Cash (30 June 2020)             | A\$4.2m  |
| Enterprise Value                    | A\$14.3m |
| Management and Director Ownership   | 18.06%   |



# Project Overview



# Portfolio: Nanuk Diamonds

## Initial project investment in Canada

### An unresolved diamondiferous district

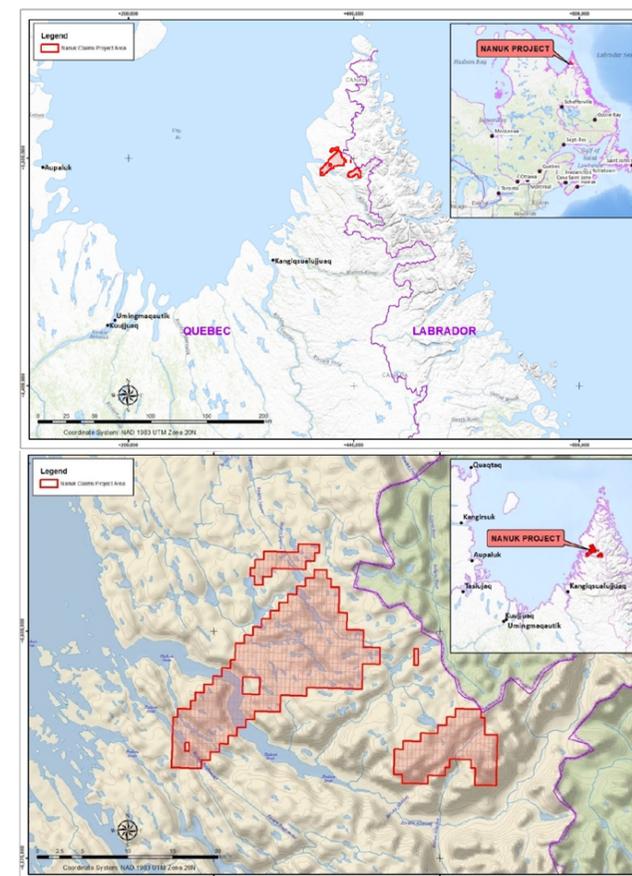
- 100% ownership
- 625 Mining Claims over 274 km<sup>2</sup> in Category III lands of New Quebec Territory
- Abloviak Fjord, Torngat Peninsula, Quebec
- 1,650 km NNE of Montreal

### Known diamond occurrence

- Several occurrences of diamond-bearing ultramafic lamprophyre dykes
- Originally found in early 2000's but left unexplored for last 15 years
- Historical exploration program produced only 13 carats, largest stone 0.7 carats, but relatively coarse size distribution

### Planned work program

- Establish potential for greater scale
- Possible high-definition airborne mag program and further surface sampling 2020/21
- Future drilling/sampling pending ongoing results



# Portfolio: Naujaat Diamond Project



Advanced stage exploration and development

## Potential high-value project

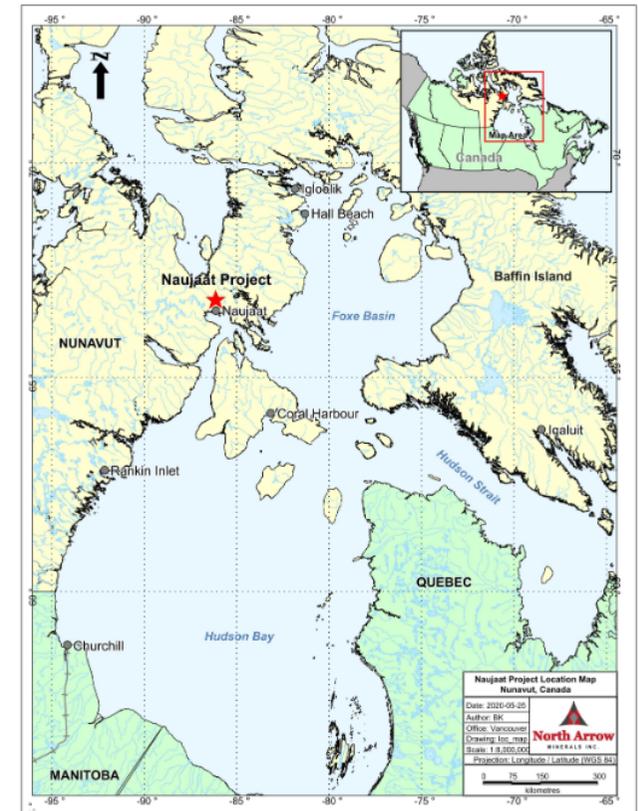
- Largest undeveloped diamond property in Canada not under control of a major mining company
- Discovered by BHP in early 2000s, not developed due to perceived low price of contained diamonds
- Subsequent work has shown value potential of contribution from exceptional population of uniquely coloured Fancy Vivid Orangey-Yellow stones

## Deal structure

- Earn-in structure with North Arrow Minerals (TSXV:NAR), seen as leading diamond exploration company in Canada (highly respected Board and Management)
- EHR funds Phase 1 bulk sample for C\$5.6 million to earn 40% of project
- LOI in place for Phase 2, where EHR can earn additional 20% by funding 10,000 tonne bulk sample

## Planned work program

- 2020: mobilise fuel and other supplies to site on Q3 sealift
- 2021: extract 1,500 – 2,000 tonne bulk sample; recover diamonds; assess size and quality distribution
- 2022: commit to Phase 2 10,000 tonne bulk sample for Scoping Study/PFS level of definition



# Portfolio: Exploration alliance in Botswana

## Early stage exploration

### Generative program to build longer term project pipeline

- Turn-key entry into Botswana, one of the world's leading diamond countries
- Considered most stable mining jurisdiction in Africa – government participation in mining projects with full participative funding
- Historical exploration by De Beers and others has left many unanswered questions and unresolved opportunities

### Deal structure with private partner Diamond Exploration Strategies Ltd

- Low-cost “project generator” model with highly-experienced local team (all ex De Beers exploration executives) in privately owned company
- EHR funds US\$1.5 million over three years, option to extend
- Targets/discoveries accepted by joint technical committee as Designated Projects become 50% owned by EHR
- EHR can sole-fund to Scoping Study to reach 70%, or Feasibility Study to attain 90% ownership

### Planned work program

- Partner currently has five project areas under 100% title
- Drill-ready targets to be advanced in Q3 this year
- Continual refresh of portfolio with additional kimberlite and alluvial targets across Botswana



# Legacy Gold and Silver Assets

Low holding cost, long term potential

## La Victoria Gold-Silver Project, Peru

- Agreement with TSX-V listed Eoro Resources Ltd in March 2017 to earn up to 25%.
- EHR completed the first stage of the farm-in by contributing C\$2 million to exploration in December 2017, and as a result earned an initial 10% interest in the Project, subsequent earn-in to 18%

## Project

- Located in the North-Central Mineral Belt of Peru on the western slopes of the Peruvian Andes at elevations that vary from 3000m to 4500m above sea level
- Within 50 km of several producing mines: La Arena (Tahoe Resources), Lagunas Norte (Alto Chicama) owned by Barrick Gold Corporation and Santa Rosa owned by Compañía Minera Aurifera Santa Rosa (COMARSA).
- Geological setting exhibits the same rock types, alteration style and mineralisation as several of the world-class gold mines in the Northern Peru Mineralized Belt.
- Has never been drilled, yet major mineralized targets with very prospective results from Eoro surface sampling and artisanal mining have been known since the 1970's.
- Proposed drilling has been impacted by permitting delays, but EHR remains enthusiastic about the potential of the project. Holding costs are low.



# 2020 Outlook

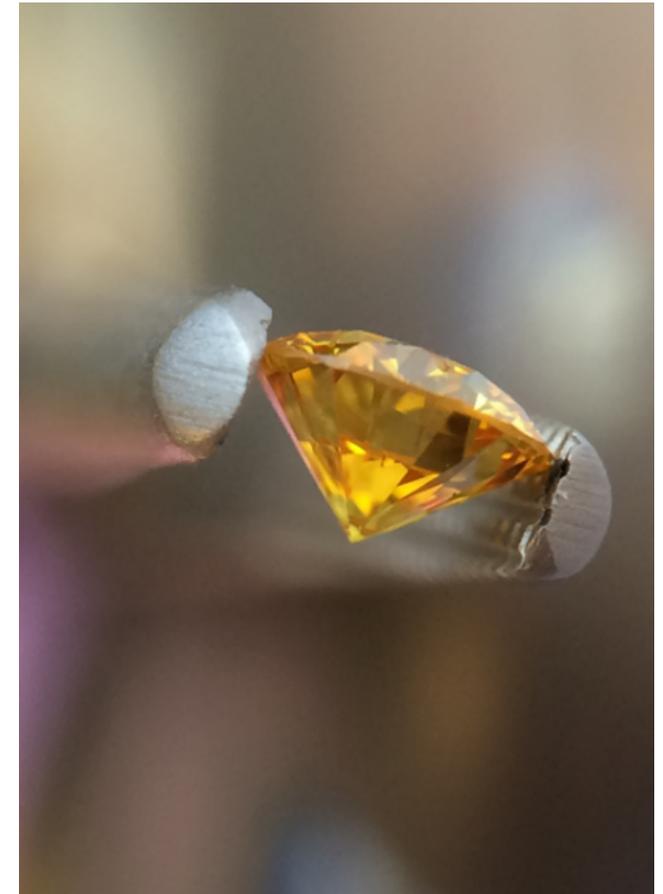
Disciplined execution of strategy and early exploration results anticipated

## Portfolio Growth

- Ongoing evaluation of multiple opportunities to build portfolio
- Potential for further incremental transactions

## Project Development

- Nanuk
  - Review of 2019/20 results – potential further work to be decided
- Naujaat
  - Pre-position fuel and other supplies on site
  - Make transaction unconditional when funding is available, assess Phase 2
- Botswana Alliance
  - Rapid results from early programs Q3/Q4
  - Potential to start earn-in on designated projects



# Investment Summary

Unlocking value from the world's best diamond projects



## Attractive diamond sector fundamentals

- A high growth commodity sector with forecast significant supply shortfall in next ten years

## Unresolved opportunities awaiting harvest

- Diamond project evaluation more complex than other minerals
- Historical funding models impatient and inappropriate
- Premature curtailment commonly results in under-estimation of project value

## Proven management team

- Many decades of large-company diamond project experience
- Industry leading expertise on advanced valuation methods
- Backed by board with exceptional track record in value creation

## Well developed strategy

- New source of investment capital to diamond sector
- Asset ownership of leading diamond projects via earn-in deals
- Building of diverse portfolio providing risk-balanced pure-play diamond investment vehicle
- Formation of powerful new player in diamond industry



# Capital Raise to Fund Portfolio Growth

June 2020



# Capital Raising Structure

\$10m placement and \$2m SPP

## Two Tranche Equity Placement

- Tranche 1 being under the Company's existing ASX Listing Rule 7.1 capacity and ASX Listing Rule 7.1A capacity to issue 36,666,997 shares (Tranche 1 Shares) to raise approximately \$3.52 million
- Tranche 2, being subject to shareholder approval at the Company's next extraordinary general meeting, to issue approximately 67.5 million Shares (Tranche 2 Shares) to raise approximately \$6.48 million

## Issue Size

- A\$10 million Placement successfully closed in June, shareholder approval for Tranche 2 to be sought at EGM on 4 August

## Issue Price

- The Placement Shares will be issued at a fixed price of \$0.096 per Share.

## SPP Option

- An offer to all eligible shareholders of the Company for an amount of up to A\$30,000 per shareholder with an overall cap of \$2 million





# Source and Use of Funds

Will underpin EHR's operations and business growth over next 12 months

| Source of Funds | A\$ million  |
|-----------------|--------------|
| Existing Funds  | 1.08         |
| Capital Raising | 10.00        |
| SPP             | 2.00         |
| <b>Total</b>    | <b>13.08</b> |

| Use of Funds                  | A\$ million  |
|-------------------------------|--------------|
| Naujaat Project (North Arrow) | 6.50         |
| Alliance Agreement - Botswana | 0.50         |
| New Business Opportunities    | 4.00         |
| Working Capital               | 1.58         |
| Costs of the Offer            | 0.50         |
| <b>Total</b>                  | <b>13.08</b> |

# Proforma Capital Structure

(at placement price of A\$0.096)

|                      | No of Shares       | Value (A\$ millions) |
|----------------------|--------------------|----------------------|
| <b>Pre-Raise</b>     | 146,667,986        | 14,080,127           |
| <b>Capital Raise</b> |                    |                      |
| Tranche 1 placement  | 36,666,997         | 3,520,032            |
| Tranche 2 placement  | 67,499,670         | 6,479,968            |
| SPP                  | 20,833,333         | 2,000,000            |
| <b>Total</b>         | <b>125,000,000</b> | <b>12,000,000</b>    |
| <b>Post- Raise</b>   | <b>271,667,986</b> | <b>26,080,127</b>    |

Plus 13.5m options, unlisted, escrowed

# SPP Timetable



|                                |  |
|--------------------------------|--|
| Record Date                    | 5.00pm (AWST time), Friday, 19 June 2020 |
| Announcement Date              | 22 June 2020                             |
| Tranche 1 Placement Issue Date | 29 June 2020                             |
| Opening Date                   | 1 July 2020                              |
| Closing Date                   | 5.00pm (AWST time), 29 July 2020         |
| SPP Results Announcement       | 31 July 2020                             |
| SPP Share Issue Date           | 4 August 2020                            |
| New Shares quoted on ASX       | 5 August 2020                            |

**Note:** The above timetable is indicative only and subject to change. The commencement of trading and quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, the Company reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.

Thank You



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