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Coverage Initiation

Industry: Metals/Mining

CENTRAL AMERICA NICKEL, INC. Asset and Operating Leverage Lead to Major Valuation Increases

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COMPANY SUMMARY

Central America Nickel Inc. (CAN) is a Canadian corporation focused on the development and production of refined nickel from nickeliferous laterite mines located in the Dominican Republic, Guatemala and Cuba. CAN is also focused on refining the nickel into nickel powders and nano-powders utilizing CVMR's patented modular refinery technologies. These nickel powders sell for three to five times the underlying price of refined nickel, thereby almost entirely eliminating commodity pricing risk.

KEY STATISTICS

Inception Date	2013
Funding-to-Date	Seed
In-Situ Mineral Value	\$215M
1 st Full Year of Revenue	2018
Funding Sought	\$5M
Est. Oper. Valuation 2018	\$175M

COMPANY INFORMATION

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INVESTMENT HIGHLIGHTS

CAN is a unique mining play whose model offers substantial asset and operating leverage, reduced commodity pricing risk, next-gen technology, and strong EBITDA margins. Through its partnership with CVMR, CAN will refine nickel into high demand powders that sell for 3-5 times more than refined nickel's underlying price.

The nickel market is set to enjoy major growth as automotive, aerospace firms replace steel powder with nickel powder. General Electric (NYSE: GE), Alcoa (NYSE: AA) have new plants underway to prepare for this migration.

Set to commence production of 11 million tons of nickel in the Dominican Republic during 1Q17, CAN is projected to generate \$10M in revenue and \$4M in EBITDA in Year 1 which should balloon to \$428M in revenue and \$158M in net EBITDA by Year 3. This dramatic rise is related to the commencement of the migration to the production of nickel powders.

CAN also owns mining properties in Guatemala that have an inferred value of \$25 billion. Although it remains in the ground, we believe it carries an in-situ value of \$215M.

CAN offers investors one of the few indirect plays on the economy in Cuba.

Using conservative EBITDA multiples and asset value calculations, CAN could be worth hundreds of millions in the next 24-36 months, as compared with its low pre-funding valuation.



COMPANY OVERVIEW

Central America Nickel Inc. (CAN) is far from a typical mining play. Instead, CAN uniquely combines mining assets with next-gen technology, world-class partnerships, low commodity pricing risk, multiple sources of asset value, and substantial EBITDA margins. The net result is a soon-to-be producing mining company that could generate as much as \$25M in EBITDA in 2 years from just one mine alone and \$158M in total net EBITDA in 3 years.

CAN plans to develop and produce refined nickel from valuable nickeliferous laterite mines located in the Dominican Republic (DR), Guatemala and Cuba and lithium from property in Bolivia. CAN will initially just sell refined nickel. However, the Company will later utilize the mined nickel concentrate to produce nickel powders and nano-powders using highly advanced and patented refining/extraction technology and proprietary processes licensed from its well-regarded partner CVMR. As a result, CAN will produce high-demand nickel powders, which sell for 3 to 5 times the price of refined nickel, through its soon-to-be built CVMR Modular Refineries, thereby fostering swift and substantial EBITDA results, and without the associated commodity pricing risk.

CVMR is a multi-billion dollar firm that has a track record of success in using its technology licensing and production model for the extraction/refining and production of other metals powders and nano-powders. CVMR owns over one hundred patents and has been selling metal powders and nano-powders to major organizations for over 20 years. These include: the U.S. DoD., the U.S. DoE, General Motors (NYSE:GM), General Dynamics (NYSE: GD), Barrick Gold (NYSE: ABX), General Electric (NYSE: GE), Canadian Defense Dept. and NASA.

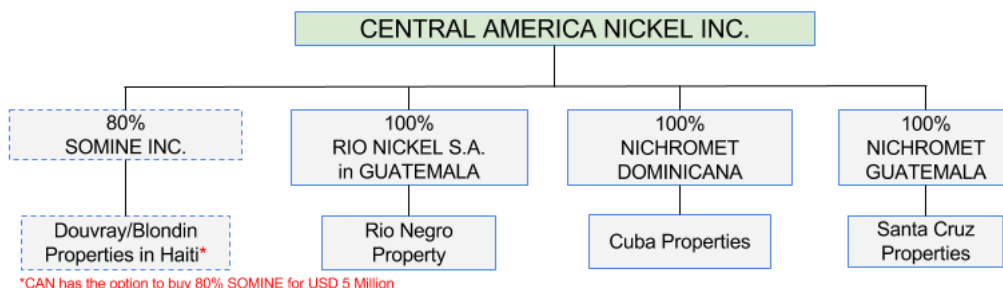


Figure 1: CAN Structure

It should be noted that the all-encompassing CAN/CMVR venture includes a 30% ownership stake in CAN and a 15% EBITDA royalty to CVMR for the revenue generated by each CVMR Modular Refinery financed and owned by CAN.



Nickel Space

In 2015, the estimated apparent primary nickel consumption stood at 124,000 mt and was valued at \$1.57 billion while according to the USGS, 2.5 million mt were produced. Ores of nickel are mined in over 23 countries and are smelted or refined in 25 countries. Key producing states are Most important are Russia, Canada, New Caledonia, Australia, Indonesia, Cuba, China, South Africa, Dominican Republic, Botswana, Columbia, Greece and Brazil.

Historically, nickel has always been a key cog in the industrial and commercial world. Its numerous applications include some of the most significant roles required in construction, decorative engineering, automotive and the transport industry, chemical reactions, and others. Today, nickel powder has applications in a wide range of industries and is used in aviation, aerospace, nuclear reactors, alkaline batteries, town-metal hydride batteries, and in powder metallurgy additives such as military industrial, electronic, automotive, machinery and others. Recent developments in powder metallurgy have led to a dramatic rise in the use of powder metal parts, especially in the automotive industry. Steel automotive parts powder metals are increasingly being replaced with the powder metal parts, which is more economical than other steel. This trend of nickel powder serving as a replacement for steel powder is emerging as a major industry driver and is a big positive for CAN.

Looking Ahead

CAN management expects to begin the production of nickel concentrate at the Falcondo Dominicana mine in the Dominican Republic by 1Q17 and finalize a definitive joint venture agreement with Varona for the San Felipe nickel mine in Cuba in the coming weeks. During the next two years, CAN intends to finance, build and commence operations for two CVMR Modular Nickel Powder Refineries in the Dominican Republic with an estimated cost of \$63.35 million each. During this period, management expects to commence production of nickel powders at the San Felipe mine in Cuba. The Company's two nickel mining projects in Guatemala and the lithium project in Bolivia hold considerable promise but unlike the other ventures, may be three years away before operations can begin in earnest.

CAN management believes that it can generate a very healthy \$4M in Company net EBITDA on gross revenue (nickel concentrate sales only) of \$10.7M in the first year of operation and \$25M in net EBITDA on \$53M in gross revenue in Year 2. It should be noted that the revenue figures are from the DR project only. In Year 3, with the refineries up and running in DR, CAN projects \$428M in revenue and \$158M in net EBITDA.



There are a variety of ways to assess a future value on CAN. We have elected to use a combination of “operating valuation” and “asset valuation.” In our view, the most reasonable valuation methodology for the operations is to utilize a 7x multiple on forward 12-month net EBITDA, following Year 1 operations. Thus, the operating valuation for CAN before the start of Year 2 is \$175M, or 7x the estimated \$25M in net EBITDA. Prior to the start of Year 3, the value from operations balloons to \$790M, based on the estimated \$158M in net EBITDA.

Interestingly, this figure excludes the value of the nickel ore deposits found in CAN's Guatemala properties, valued at \$25.1B. Since these mines are not operating and the nickel is still in the ground (“in situ”), we assign a 1% fair market value to the nickel which equates to \$251M, many times higher than the post-money fundraising valuation. As a result, our valuation assessments assume present value of \$251M for CAN, which represents assets only, and a total value (from operations and assets) ranging from \$426M after Year 1 to \$1.04B after Year 2.

Finally, not only is CAN a tremendous asset and operating leverage play, but CAN is one of the few ways to indirectly play potential economic growth in Cuba.

INDUSTRY OVERVIEW

In 2015, the estimated apparent primary nickel consumption stood at 124,000 mt and was valued at \$1.57 billion while according to the USGS, 2.5 million mt were produced. Ores of nickel are mined in over 23 countries and are smelted or refined in 25 countries. Key producing states are Most important are Russia, Canada, New Caledonia, Australia, Indonesia, Cuba, China, South Africa, Dominican Republic,



Botswana, Columbia, Greece and Brazil.

Historically, nickel has always been a key cog in the industrial and commercial world. Its numerous applications include some of the most significant roles required in construction, decorative engineering, automotive and the transport industry,

Figure 2: Sample Nickel Deposits

chemical reactions, and others. Nickel is primarily sold for first use as refined metal (cathode, powder, briquet, etc.) or ferronickel. Today, nickel powder has applications in a wide range of industries and is used in aviation, aerospace, nuclear reactors,



alkaline batteries, town-metal hydride batteries, and in powder metallurgy additives such as military industrial, electronic, automotive, machinery and others. Recent developments in powder metallurgy have led to a dramatic rise in the use of powder metal parts, especially in the automotive industry. Steel automotive parts powder metals are increasingly being replaced with the powder metal parts, which is more economical than other steel. This trend of nickel powder serving as a replacement for steel powder is emerging as a major industry driver and is a big positive for CAN.

World Nickel Reserves (2015)

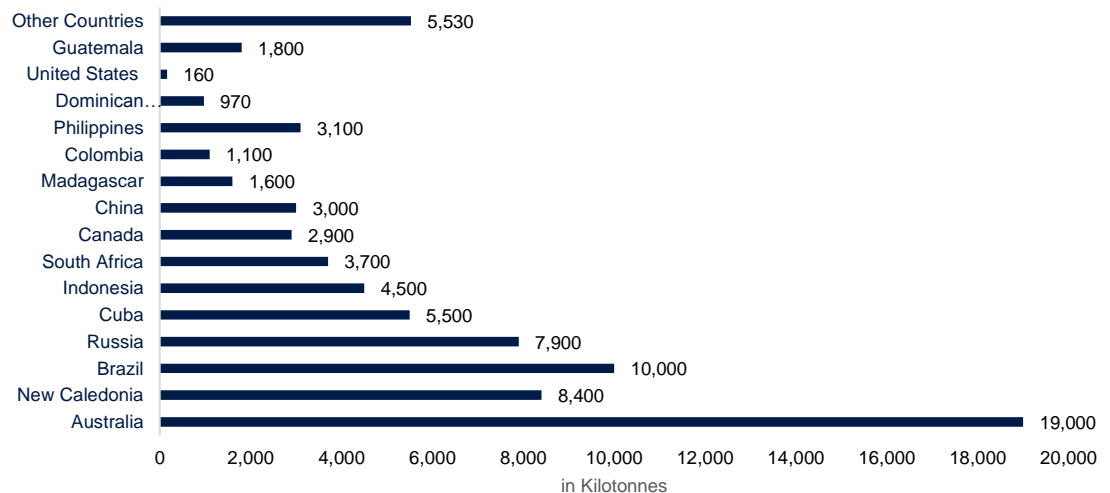


Figure 3: World Nickel Reserves by Country
Source: USGS

Nickel demand is likely to improve in 2H16 with a rebound in global stainless production and modest restocking. From 2014 – 2016, the global refined nickel consumption is expected to grow at a CAGR of ~6%. Nickel consumption is closely linked to steel demand, particularly in China, which accounts for 51% of world consumption and developing countries are expected to play a key role in the growth of the global nickel industry in the coming years. Developed countries, like the U.S., are also expected to generate a strong demand in future primarily attributable gradually improving economic conditions and rebounding automotive sector and well-developed aerospace industries. These two industries alone are expected to generate considerable demand for refined nickel.

Global Powder Metallurgy Market

According to Transparency Market Research, the global Powder Metallurgy (PM) market is projected to rise from \$6.1 billion in 2013 to \$8.7 billion by 2020, driven by rapidly emerging and growing applications in transportation, construction and



mechanical engineering sectors. The inherent qualities of powder metallurgy are expanding the application scope of PM beyond the conventional automotive market. PM is cost-effective and the high precision with which powder metallurgy technologies manufacture products provide components with intricate features, near net shape, and good dimensional accuracy. New emerging applications in 3D printing, Aerospace & Defense sector, Medical Diagnostic & Metrology, Aero-Engine & Land-Based Gas Turbine Applications, are expected to fuel demand growth.

Interestingly, the nickel-based powder is increasingly being utilized in 3D printed parts for the aerospace, electrical energy, medical, and oil and gas markets. These nickel-based alloy powders have capacity to provide a refined microstructure that deliver increased performance in 3D printed parts and ability to last longer in extreme high-temperature conditions and corrosive environments. The strong prospects in AM or 3D printing offers significant growth potential for nickel powder.

Additive manufacturing or 3D printing, involves building physical objects one layer at a time, using digital models and special material deposition devices. 3D printing in metal has really begun to take off within the manufacturing space. It is estimated the additive manufacturing (AM) industry, consisting of all AM products and services worldwide, grew at a double-digit CAGR of 25.9% to \$5.2 billion in 2015 with metal AM and the desktop printer segments serving as the key growth drivers. Over the past 27 years, the CAGR for the industry has been impressive at 26.2%. Originally restricted to the production of plastic artifacts, its application now extends to print whole jet engines, turbine blades and aircraft parts, medical implants and other applications.

The ongoing technology advancements within the 3D printing space are attracting top-tier firms to increase their 3D printing budgets to accommodate this migration in metal printing technology. For instance, Alcoa (NYSE: AA), a leading producer of aluminum, announced in 2015 a \$60 million-investment for expanding its R&D center in Pennsylvania to accelerate the development of advanced 3D-printing materials and processes. Alcoa is developing a line of powdered metals made specifically for 3D-printing applications. Allegheny Technologies Incorporated (ATI), one of the largest and most diversified specialty materials and components producers in the world is expanding its nickel-based superalloy powder capabilities, to cater to the increasing demand most specifically from the aerospace jet engine market and the additive manufacturing industry. General Electrics (NYSE: GE) is also making large bets on additive manufacturing



Key Growth Drivers for PM Market

- Growing Use of Metal Powders in Additive Manufacturing (AM)
- Expanding Applications of PM in Medical Diagnostics
- Demand for PM Materials in Aero-Engine & Land-Based Gas Turbine Applications
- Increasing Demand for Finer Powders & Advanced PM Parts
- Steady Increase in Automobile Demand & Subsequent Rise in Production

Globally, nickel powder prices have remained isolated from economy downturns and commodity markets cyclical price fluctuations. This can be attributed to the fact: (i) unlike other commodities, the final output price for nickel powders is largely determined based on the market demand in different segments of the manufacturing and consumer markets and (ii) nickel powder market is characterized by supply-shortage due to the existence of few players in the industry. Vale-Inco has been the largest producer in high-purity carbonyl nickel powder addressing 85%-90% of carbonyl nickel powder consumption. Other producers of high purity Nickel powders include Norilsk Nickel, CVMR®-JJNI who historically have accounted for only 10%-15% of the total production.

Lithium

Lithium has incredibly low density and can float in water. What makes it so versatile is that it is highly reactive on a chemical basis. In fact, when it floats in water it burns in a highly intensive manner. Years ago, a discussion on the lithium market would have referred to industrial uses such as glass or ceramics, along with medical applications to treat certain mental disorders. Fast forward to the 21st century and the demand for the product is huge, currently outstripping supply. The drivers have shifted on a dime from industrial uses, to products in the transportation and renewable energy spaces.

As a result, the evolution of lithium usage migrated from mobile phone and laptop batteries to batteries found in hybrid autos to include electric-only cars, and later with grid storage devices. Still, by far the major growth driver of the space is in BEV, or battery electric vehicles, which is logical considering that lithium has the highest electric output per unit weight of any battery material. Moreover, they have higher current and longer usage capabilities than predecessor technologies. The product is measured in tonnage under the category lithium carbonate equivalent, or LCE. Battery-grade LCE can be used to make cathode material for lithium-ion batteries which are used in BEVs and other products and carry higher prices than other forms such as lithium hydroxide.



Figure 4: Brine Deposits

Source: InvestingNews.com

Lithium is found in hard rock deposits as well as brine with key locations in Latin America such as Chile, Argentina and Bolivia which have two-thirds of the world's estimate deposits. Other geographies include China, Tibet, Australia, and the U.S. Interestingly, brine deposits, typically found in flat, arid, salt fields at or below the surface, account for a majority of the global resource. Given that it is so much easier to explore and collect lithium from brine rather than

hard rock, and faster to put into production with far fewer capital costs, this is by far the preferred method today.

Since brine is a liquid, this exploration is akin to drilling for water, or shallow oil wells. In fact, since lithium brine is not as deep as the hard rock deposits, much of the surveys and drilling are done at shallow depths. Advanced exploration phases such as raw bulk sampling and recovery can be easily tested to determine lithium levels. Plus, it is easier to produce a resource estimate.

According to Bloomberg New Energy Finance:

"The electric vehicle revolution could turn out to be more dramatic than governments and oil companies have yet realized. New research by Bloomberg New Energy Finance suggests that further, big reductions in battery prices lie ahead and that during the 2020s EVs will become a more economic option than gasoline or diesel cars in most countries. The study forecasts that sales of electric vehicles will hit 41 million by 2040, representing 35% of new light duty vehicle sales. This would be almost 90 times the equivalent figure for 2015, when EV sales are estimated to have been 462,000, some 60% up on 2014."

No wonder the transportation sector could account for as much as 70% of the industry's growth as the amount of lithium content required for BEVs is huge, especially compared with the paltry 3 grams required per cell

Table I. Lithium Market: The 411

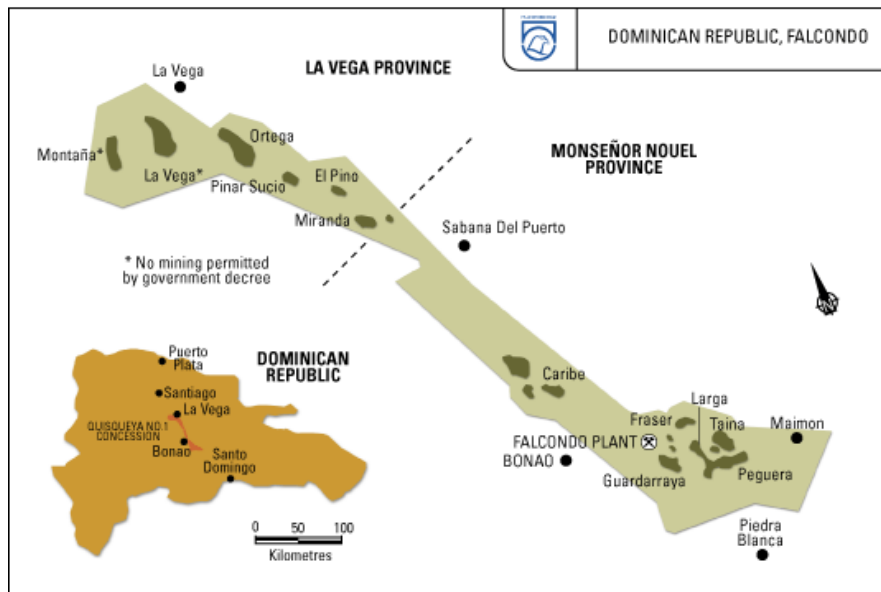
	2015	2020E	2025E	
Market Size (ton)	202,800	380,000	534,000	
Price/Ton	\$8,000	\$9,000	\$10,000	
Market Size (\$)	\$1,622,400,000	\$3,420,000,000	\$5,340,000,000	
Application	Cell Phone	Laptop	BEV (25kWh)	Tesla 85kWh
Li Content	3 grams	30 grams	44 lbs	112 lbs
App Categories	Transportation	Renewable Energy	Consumer Elec	
App Segments	Cars, Buses	Solar & Wind Storage	Phones, Tablets, Wearables	

Sources: SAI, Credit Suisse, Deutsche Bank, Albemarle, GSCR



phone. Market size forecasts, along with pricing projections may vary, but the shift in the marketplace is undeniable given the growth (and pricing) for BEVs, especially the Tesla 85kWh. Meanwhile, SAI projects that the CAGRs for lithium products from 2014-2024, will grow by 38% and 30% for the transportation and renewable energy (wind and solar) segments, respectively. This even excludes the projected 15% CAGR for consumer electronics which, while requiring small amounts, are found on more and more products.

THE CAN PROPERTIES: AT A GLANCE



Falcondo Dominicana: DR

In July 2016, CAN signed a MOU with Falcondo Dominicana to process 11 million tons of proven nickel reserves at a grade of 1.25% nickel. Falcondo Dominicana (owned by Falconbridge Dominicana S.A.) and the previous owner, Glencore Xstrata, conducted extensive drill programs on this ore. CAN will have the right to process this reserve by paying Falcondo \$10 per ton of ore processed.

Figure 5: Falcondo Dominicana Map

The gross proven nickel content is \$1.47 billion (137,500 tons of nickel at a price of \$10,700). The ore body is located within the boundaries of the existing Falcondo mining concession, which has all the necessary environmental and mining permits to start production immediately. The production of nickel concentrate will start at the Falcondo Dominicana nickel mine in the Dominican Republic by the end of the 1st quarter of 2017 and CAN will produce nickel powders after the first CVMR Modular Nickel Powder Refinery is financed and built which will take up to 18 months subsequent to the completion of equity and debt financing for the project.



Varona Inc.: Cuba

CAN signed a Letter of Intent with Varona Inc. (100% owned by the Cuban government) to implement CVMR processes for the development of various mines located in Cuba and Bolivia. Varona is the engineering construction arm of the Cuban government and will be responsible for building the CAN/CVMR plants for nickel mines in Cuba and lithium mines in Bolivia. The initial focus will be the San Felipe nickel mine, which has estimated proved reserves of 300 million tons of indicated and inferred Nickel with a grade of 1.25% nickel. San Felipe is the largest proven non-operating nickel mine in the world. Extensive joint program (7,000 drill holes) was conducted by BHP in order to fully delineate the ore body. In addition, substantial metallurgical work was conducted by BHP Billiton.

Definitive agreements are expected to be signed shortly and we should note that this deal positions CAN as one of the few direct ways to take advantage of the expected boom in the Cuban economy.

The San Felipe nickel laterite deposit is located on a plateau in Cuba which contains mainly clay-rich ore and is suited to conventional open pit mining without blasting. The mine is located 800km E of Havana in Cuba which is owned by BHP Billiton Ltd (75%) and Geominera S.A (25%). It is also strategically located within 30 km of a deep-sea port, railway and airport with full power lines in close proximity.

It primarily produces Nickel and is also active in Cobalt. The intention is to build a CVMR Modular Nickel Powder Refinery onsite to process all of the nickel ore. CAN estimates that it will cost a total of approximately \$115 million for the Nickel Powder Refinery and mining equipment.

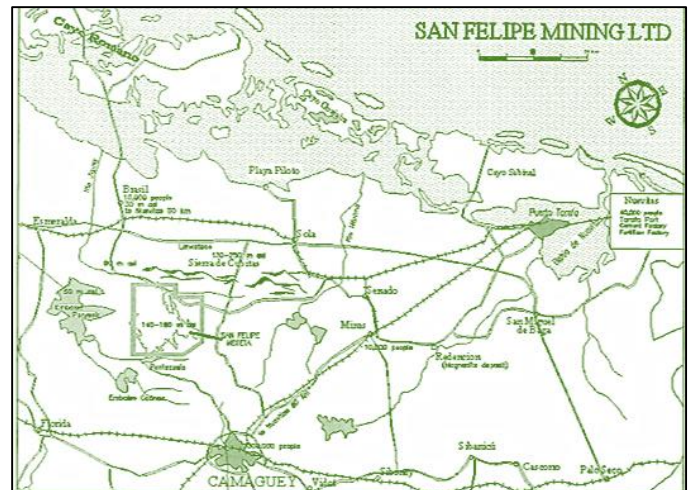


Figure 6: Map of Varona

Sierra de Santa Cruz and Rio Negro: Guatemala

In the '70s, International Nickel Company (INCO), the world's largest nickel company, spent \$500 million in Guatemala discovering and putting into production major nickel reserves including the building of a ferronickel refinery. The mining industry in Guatemala was paralyzed for 30 years because of a civil war that ended



in 2003. In 2007, VALE Inc. undertook a \$10 million exploration program to discover new deposits and confirm the INCO deposits discovered in the '70s.

CAN acquired 100% of Nichromet Guatemala which is the owner of Sierra de Santa Cruz deposit located in Guatemala, is open at depth and laterally, and offers the potential for 800 million tons of nickel mineralization which could make it one of the largest nickel deposits in the world. Plus, CAN recently acquired the Rio Negro property, owned by Rio Nickel S.A., which has historical reserves of 26 million tons of ore containing 1.6% nickel as evaluated by companies such as Teck Corporation and Comino Inc.

These historical, high grade estimates have been reconfirmed by CAN in the last two years and there are estimates of potential reserves of 200 million tons at a grade of 2% nickel in the Saprolite zone of the Nichromet property. In 2008, the collection of all available geological information including surveys with tungsten bit drill holes, auger holes and hand dug bits done by INCO and CAN/ VALE was done. In this deposit, more than 350 million tons of Ni with contents above 1% Ni was identified.

(It should be noted that CAN acquired 100% of Nichromet Guatemala S.A. and Rio Nickel S.A. by issuing 14 million common shares to Pierre Gauthier (CEO, Chairman and Founder of CAN), who owned Nichromet and Rio Nickel.)



Figure 7: Santa Cruz Project Map



Rio Negro Nickel Project located in the department of Baja Verapaz in Guatemala, consists of one 44 km exploration license where nickel mineralization is within a weathered profile averaging 20 to 30 metres in thickness with nickel values around 1.6% Ni. The Rio Negro Nickel Project is located in central Guatemala. The Project is approximately 80 kilometres north of the capital of Guatemala City. The Rio Negro area is accessible from Guatemala City by paved roads and highways to the major city of Santa Cruz de Quiché and then by gravel roads to the nearest major settlement, Uspantán. The nickel mineralization recognized in the Rio Negro Area consists of nickel and cobalt bearing laterite mineralization developed in zones of shearing and faulting within a large ultramafic unit. The Rio Negro deposits are found at elevations between 2,000 and 2,600 meters and the topography has played an important role in providing the correct conditions for the formation of deep laterites.

Location & Accessibility of Rio Negro

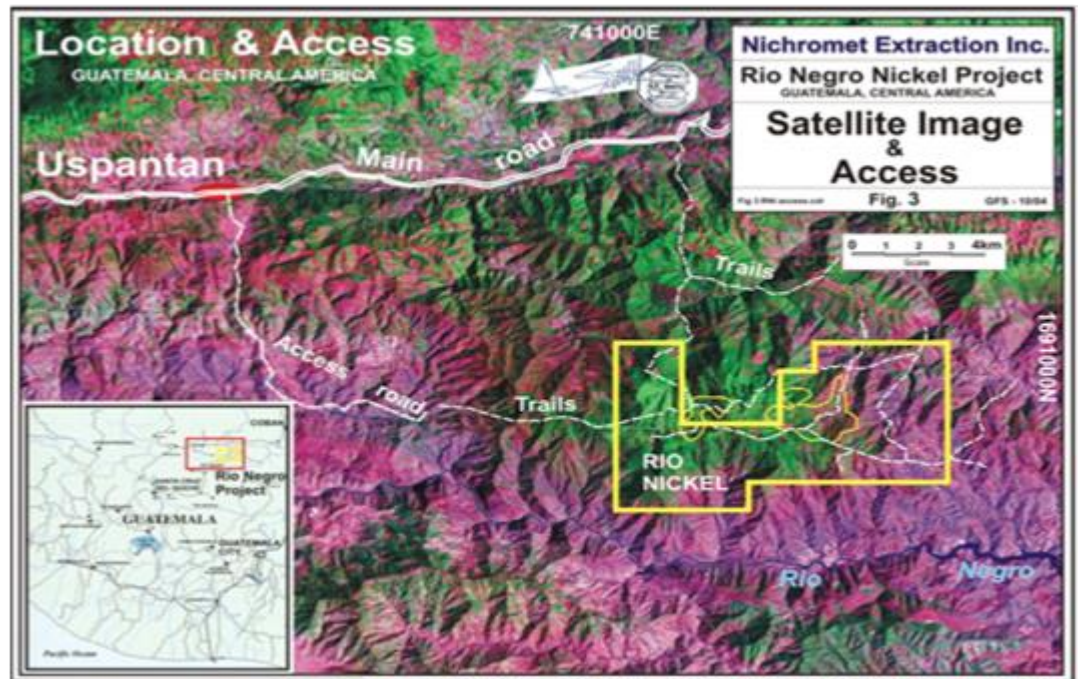


Figure 8: Rio Negro Map



Lithium: Bolivia

CAN acquired the rights to the CVMR lithium carbonate extraction and refining technologies for the country of Bolivia. The CAN/CVMR lithium technology is currently being presented to various levels of the Bolivian government, including President Morales. CVMR will undertake a Scoping Study and is completely confident that the outcome of the Scoping Study will be positive. If acceptable to the Bolivian government, CVMR's Lithium Carbonate Pilot Program will be established and conducted in Bolivia.

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The main product of Lithium recovery is Lithium Carbonate especially the battery grade Lithium Carbonate. The battery grade Lithium Carbonate has become a hot investment product in the industry with the fastest rate of growth in its market demand.

Land of Salar de Uyuni (Salt Flats)



Figure 9: Salt Flats

Its global demand is expected to have reached 181kt in 2015, a rise of 11.8% y/y. According to research house CRU, the battery grade lithium prices in China have rocketed from around US\$7,000/tonne in mid-2015 to well above US\$20,000/tonne recently. Global lithium demand is expected to increase to 534kt by 2025 (184kt in 2015), with batteries accounting for 70% of global demand.

CVMR RELATIONSHIP

A key cog in the success of the Central American Nickel Inc. model is its joining venture with CVMR. As part of this partnership, with CVMR Corporation, CAN has to obtained an exclusive refining technology license for the CVMR patented processes for nickel powders and battery grade lithium carbonite in the territories of Guatemala, Cuba, Dominican Republic and Bolivia. CVMR will build and operate this plant without any pollution of the air, water or soil as the entire plant will be built on a modular system.



CAN has issued 6 million common shares from its treasury, representing 30% of the issued and outstanding shares, to CVMR in order to acquire this exclusivity, bringing the total common shares issued and outstanding to 20 million shares. Separately, during the term of the agreement, CAN shall pay to CVMR a Royalty of 15% of EBITDA from the transformation of concentrates into metal powder specially nickel. This Royalty will apply to all refineries owned and financed by CAN which utilize CVMR's licensed technologies.

(It should be noted that CVMR Chairman Khozan sits on CAN's Board, which illustrates the confidence in and active role he may play in the success of the Company.)

CVMR Corporation traces its roots to 2006 although some of its subsidiaries and affiliates date back to 1986. CVMR has developed patented nickel/ cobalt/ iron/ extraction processes that produce metal powders that sell at much higher prices than the actual metals they originate from. The company's processes have been deployed on a commercial scale in Canada, U.S., Germany, South Africa and China (45,000 Tons per year of metal powders). The estimated cost of a pilot plant is in the order of US\$15 million dollars for capacity of 1,000 metal powders per year and the expected payback of such investment is three years. The company's processes are built on a modular basis and can therefore be adapted to meet specific production requirements. It is primarily engaged in:

- Mining and metal refining, using its own proprietary vapour metallurgy processes and its own mineral resources;
- Manufacturing of high value metal powders, nano-powders, net shapes and super alloys, using CVMR's proprietary processes;
- Providing feed materials for 2D, 3D and 4D Printing (Additive Manufacturing);
- Manufacturing graphite films on nickel substrates, using cold-wall chemical vapour deposition (CVD) from a mixture of hydrogen and methane;
- Manufacturing of graphene, refining of graphite and creation of materials coated or imbedded with nano metal powders;
- Providing a range of technologically innovative solutions to the mining, refining and metal powder manufacturing industries.

The proprietary vapour metallurgy process used by CVMR® refines various metals by chemically vaporizing them close to atmospheric pressure and relatively low temperatures. It simultaneously manufactures various metal powders and metal parts, as part of the same process, for the end user markets. The process does not melt the metals as is done in the usual smelting processes. CVMR®'s plants are pollution free and completely neutral to the environment. They create no air, water or



soil pollution of any kind. CVMR®'s plants are hermetically sealed and all gases used in the process of vaporizing the metals are recycled.

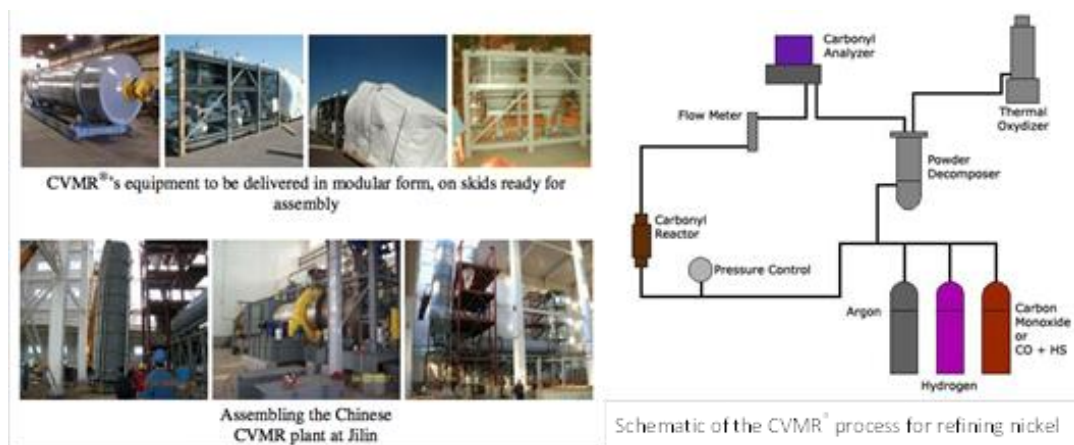


Figure 10: CVMR Process

All CVMR®'s refining/manufacturing plants are built on a modular basis, enabling a substantial degree of flexibility, allowing a plant to be built and to grow in size gradually, in different phases. Each phase is self-sufficient and pays off its own capital cost in less than three years and continues to operate as a module within the larger, fully integrated operation for the entire life of the plant, estimated to be well over 35 years. Each module is capable of processing different ores, concentrates or metal scraps and hence manufacturing various metal products, for diverse markets. CVMR®'s refining/manufacturing process is capable of producing pure metal products with very high degree of purity. Moreover, it produces products for final consumption without a need for further enhancement, e.g. various metal powders for use in batteries, 3D printing, aerospace and automotive parts manufacturing, nano-powders, net shapes, medical instruments, computer parts, electronic parts, molds and tools, super alloys, sophisticated net shapes for use in the defense and space industries, etc.

CVMR's plants are pollution free and completely neutral to the environment. This is a major attraction for Latin American countries that have had to struggle with massive pollutions by mining and refining companies in recent years.



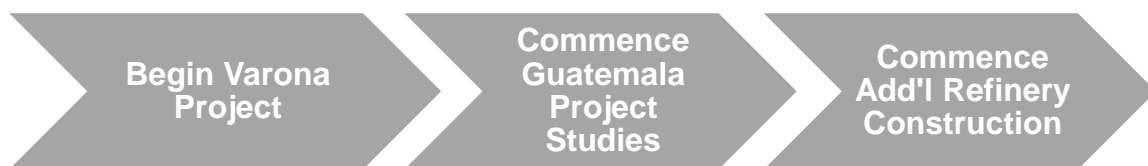
MILESTONES

The Company has already achieved key milestones primarily from the developmental perspective and is poised to complete additional steps in 2H16, 2017, and beyond.

2016/2017



2017/2018



LEADERSHIP TEAM

Pierre Gauthier: Chairman, CEO and Founder - Mr. Gauthier has over 35 years of experience in the financial field. Mr. Gauthier's attributes and skills include financial literacy, managerial aptitude, and the knowledge and experience attained through his service as a director of multiple public and private corporations. After graduating with an MBA, he worked as an investment banker and became involved in corporate finance, institutional sales (as manager) and research (as director). Mr. Gauthier holds a Bachelor of Commerce from the University of Ottawa and a M.B.A. from Concordia University. Founder, President and CEO of Dundee Sustainable Technologies Inc. until December 2014. In the last 20 Years he has been involved in raising over \$500 million dollars of financing in various projects.

Salvador Brouwer: Vice-President Latin America - Mr. Brouwer holds a bachelor degree in Science (Geology) from University of Waterloo, Ontario. He worked for Falconbridge for 30 years in Canada and in the Dominican Republic. From 1996 to 1999 when he retired, he was an exploration manager for Latin America. Mr. Brouwer is very knowledgeable about the geology, mining and processing of nickel laterites in Latin America.



Marc Filion: President - Dr. Filion holds a PhD (Economic Geology and Geostatic) from Royal School of Mines, Imperial College, London, U.K. (1973) and a M.B.A from École des Hautes Études Commerciales, Montréal. He has >35 years of experience in the development and management of capital intensive world-class industrial projects in joint venture with international business partners.

Bernard Jun HE: Board Member - Mr. Jun HE is an entrepreneur with over 20 years of operational and investing experience. Mr. Jun HE has successfully completed a number of multijurisdictional joint venture transactions and has effectively conducted business in China, Hong Kong, North America, Africa, and Europe. In 2002, Mr. He was also instrumental in assembling a 250 sq km highly prospective gold property in Burkina Faso. Mr. He holds an MBA from Université de Nice Business School in France as well as a Diplôme d'Études Approfondies from IAE Paris. Mr. Jun HE is well connected in the GTA area, he is the member of numbers of China/Canada business associations.

Kamran M. Khozan: Board Member - PHD Political Science, Economics and Philosophy (PPE) at Oxford, joint doctorate program by HEC, UQAM, McGill and Concordia Universities. Jurisprudence and Criminology at University of Toronto. He holds 32 seminal international patents in Metallurgical processes. Mr. Khozan is the majority shareholder, Chairman and CEO of Khozan Holdings Inc., that owns and manages a number of banks, property development companies, oil and mineral refineries, mining operations, shipping, insurance and manufacturing plants in a variety of industries, including pharmaceuticals, hospital equipment, radar and sonar, aerospace, software and renewable energy. These operations are based in Europe, the Middle East, South Africa and North America. Among the 87 corporations held by Khozan Holdings is CVMR Corporation.

Rick Whittaker: Board Member - During his 20 year career in technology investment, Mr. Whittaker has been consistently recognized as a motivational leader, guiding teams of up to 300 people through rapid change. Mr. Whittaker led initiatives in product development, and managed several advanced technology investment programs. He holds several patents on these technologies, which are in production today. Mr. Whittaker was the founding Vice President and CTO of Canada's largest clean technology fund where he helped grow the organization from \$100M to over \$1B in funds under management, leveraged by an additional \$1.9B in private sector capital. Mr. Whittaker has a Bachelor's degree in Applied Sciences from the University of Waterloo with an option in Management Science. He has received the Governor General's Award for Academic Excellence.

Mark Billings – Executive VP – Mr. Billings is the President of Auxico Resources Canada Inc., which has a high-grade silver-gold project in the state of Sinaloa, Mexico; he is in the process of taking this company public on the TSX Venture



Exchange. Mark is also the Chairman of the Board of Directors of Canamex Resources Corp. (TSX-V: CSQ). He served from 2007 to 2014 as a Director, Senior VP of Corporate Development and CFO of Argex Titanium Inc. (TSX: RGX), a company he co-founded. Previously, Mark served as CFO for private and public Internet companies from 2000 to 2004. From 2004 to 2006, he was VP of Corporate Finance with Desjardins Securities Inc., where he led a number of financings and took companies public on the Canadian exchanges. He has a B.A. in Political Science from Carleton University, an MBA from the Harvard Business School and a Chartered Financial Analyst (CFA) designation.

FINANCIAL MODEL

The CAN operating model is straightforward and innovative, as evidenced by the expected high net EBITDA margins, even after paying a 15% royalty to CVMR. Negotiating debt and equipment lease financing could prove challenging early on but once CAN is generating cash flow management should be able to scale the business in relatively short order. Our estimates suggest that CAN should generate a very healthy \$4M in Company net EBITDA on gross revenue (nickel concentrate sales only) of \$10.7M in the first year of operation and \$25M in net EBITDA on \$53M in gross revenue in Year 2. It should be noted that the revenue figures are from the DR project only. In Year 3, with the refineries up and running in DR, CAN projects \$428M in revenue and \$158M in net EBITDA.

Interestingly, while much of this report is focused on future operations, considerable value for the nickel ore deposits found in CAN's Guatemala properties exists, and could be ultimately valued at \$25.1B. Since these mines are not operating and the nickel is still in the ground ("in situ"), we assign a 1% fair market value to the nickel which equates to \$251M, considerably higher than the pre-money fundraising valuation.

RISK FACTORS

In our view, CAN's biggest risks relate to funding delays that may impact early production and/or exploration and development including results. However, in our view, this risk is largely mitigated by the tremendous ROI that the Company's projects offer. Moreover, the relationship and ownership stake by CVMR provide significant credibility to the CAN model and potential success. Other, specific risks such as possible lithium production challenges due to topography are not uncommon. Changes in supply/demand/pricing are typical future concerns and are also consistent with firms of CAN's size and standing.



VALUATION AND CONCLUSION

CAN is a unique mining play whose model offers substantial asset and operating leverage, reduced commodity pricing risk, next-gen technology, and strong EBITDA margins. Through its partnership with CVMR, CAN will refine nickel into high demand powders that sell for 3-5 times more than refined nickel's underlying price.

The nickel market is set to enjoy major growth as automotive, aerospace firms replace steel powder with nickel powder. General Electric (NYSE: GE), Alcoa (NYSE: AA) have new plants underway to prepare for this migration.

Set to commence production of 11 million tons of nickel in the Dominican Republic during 1Q17, CAN is projected to generate \$10M in revenue and \$4M in EBITDA in Year 1 which should balloon to \$428M in revenue and \$158M in net EBITDA by Year 3. This dramatic rise is related to the commencement of the migration to the production of nickel powders.

There are a variety of ways to assess a future value on CAN. We have elected to use a combination of "operating valuation" and "asset valuation." In our view, the most reasonable valuation methodology for the operations is to utilize a 7x multiple on forward 12-month net EBITDA, following Year 1 operations. Thus, the operating valuation for CAN before the start of Year 2 is \$175M, or 7x the estimated \$25M in net EBITDA. Prior to the start of Year 3, the value from operations balloons to \$790M, based on the estimated \$158M in net EBITDA.

Interestingly, this figure excludes the value of the nickel ore deposits found in CAN's Guatemala properties, valued at \$25.1B. Since these mines are not operating and the nickel is still in the ground ("in situ"), we assign a 1% fair market value to the nickel which equates to \$251M, many times higher than the post-money fundraising valuation. As a result, our valuation assessments assume present value of \$251M for CAN, which represents assets only, and a total value (from operations and assets) ranging from \$426M after Year 1 to \$1.04B after Year 2.

Finally, not only is CAN a tremendous asset and operating leverage play, but CAN is one of the few ways to indirectly play potential economic growth in Cuba.

The key takeaway for CAN is that by using conservative EBITDA multiples and asset value calculations, we believe that CAN could be worth hundreds of millions in the next 24-36 months, as compared with its low, current pre-money valuation.



SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman joined Marble Arch Research in 2016. He founded Goldman Small Cap Research Inc. in 2009 and continues to operate it today. Rob has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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