



ETS Copper Molybdenum Project/ Mongolia

Project Overview – October 2021

Tsagaan Suvarga Copper-Molybdenum Project ('TS' or the 'Project') is a copper-molybdenum project in Mongolia targeting to produce 310kmt per year of copper concentrates over a 21-year mine life

- **Best industry consultants** (Coffey, SNC Lavallin, Golder, Bateman) have been used to complete its feasibility study
- **TS will be a low cost producer** with an average cash cost (C1) of **US\$ 0.8/ lb** (C3 US\$1.8/lb) thanks to
 - **a low strip ratio and**
 - **close proximity to the Chinese market** through access to multiple possible logistical routes (including the one established by Oyu Tolgoi)
- All **permits and licenses have been obtained** and the Project benefits from an **agreement protecting its investment** and tax regime with the Mongolian government (similar to Oyu Tolgoi)

The Project has been already under development (overall about 46% completed) before being put on hold in 2014 due to lack of funding.

- **Engineering is almost completed. Infrastructures are largely commissioned, a large portion of equipment have been purchased.**
- **The Project could expect reach commissioning within 29 months.**
- **Total amount remaining to be spent is expected to be around USD 911m**, to be funded from debt and equity (about 50 / 50 overall considering sunk in equity)
- **A clear roadmap to commissioning with a full EPC contract with a world class contractor is being put together** under the leadership of our management.

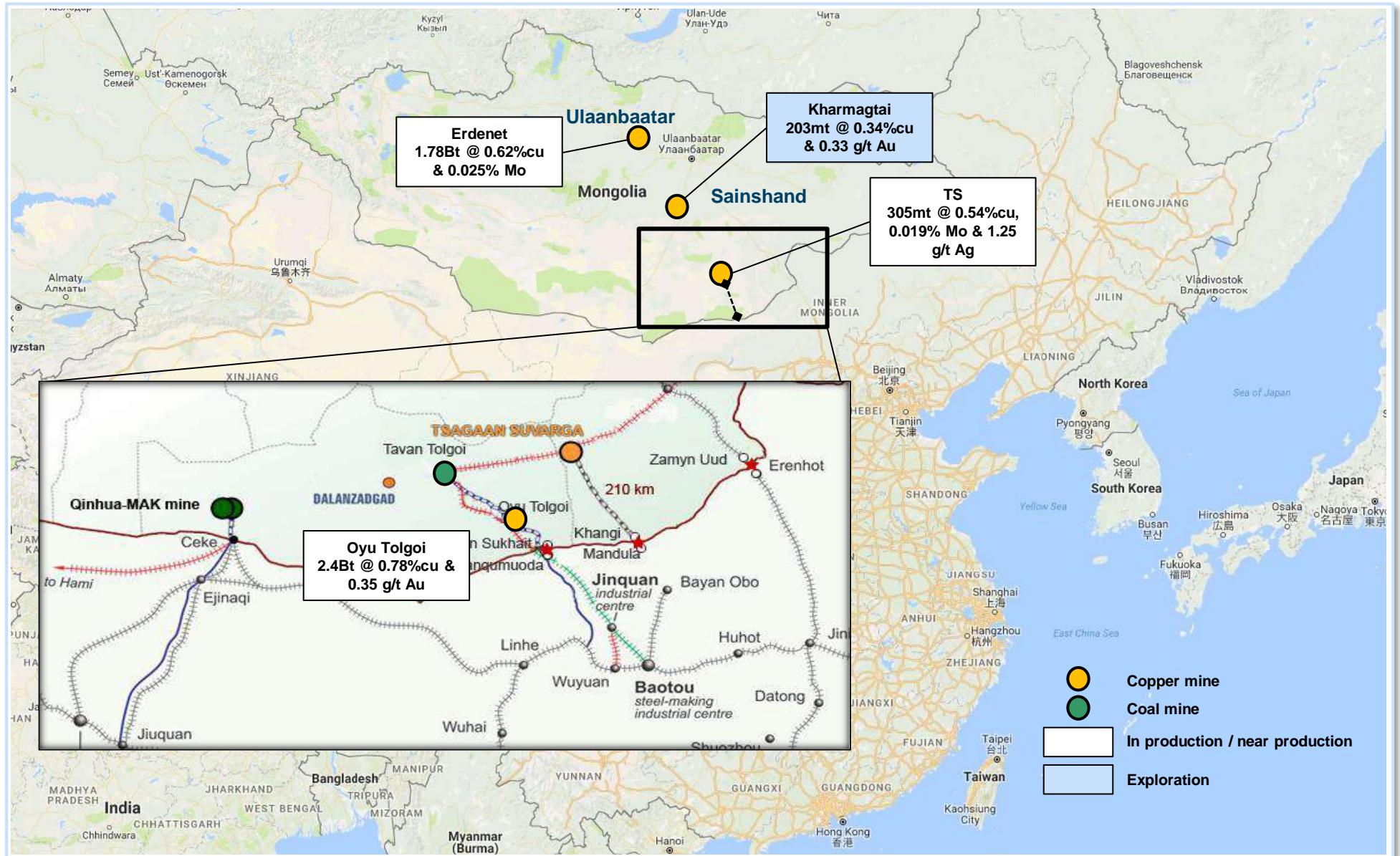
The Project is one of the few existing copper project which can be put in production shortly with immediate proximity to China

- Government is **fully supportive** of this Project

Our investment proposal

- **Avalon Mining Corp. has entered into exclusive negotiations and secured funding to acquire a 60% stake into the Project** from the historical Mongolian partner and is **updating the original BFS**
- **We are seeking an equity interest for a stake in Avalon Mining to complete the Project**
- **The Project can demonstrate an equity IRR over 20% over its full mine life at copper mines below \$6,400, with full price upside and IPO exit potential (shortly after commissioning)**

PROJECT LOCATION - ONLY 210 KM FROM THE CHINESE BORDER



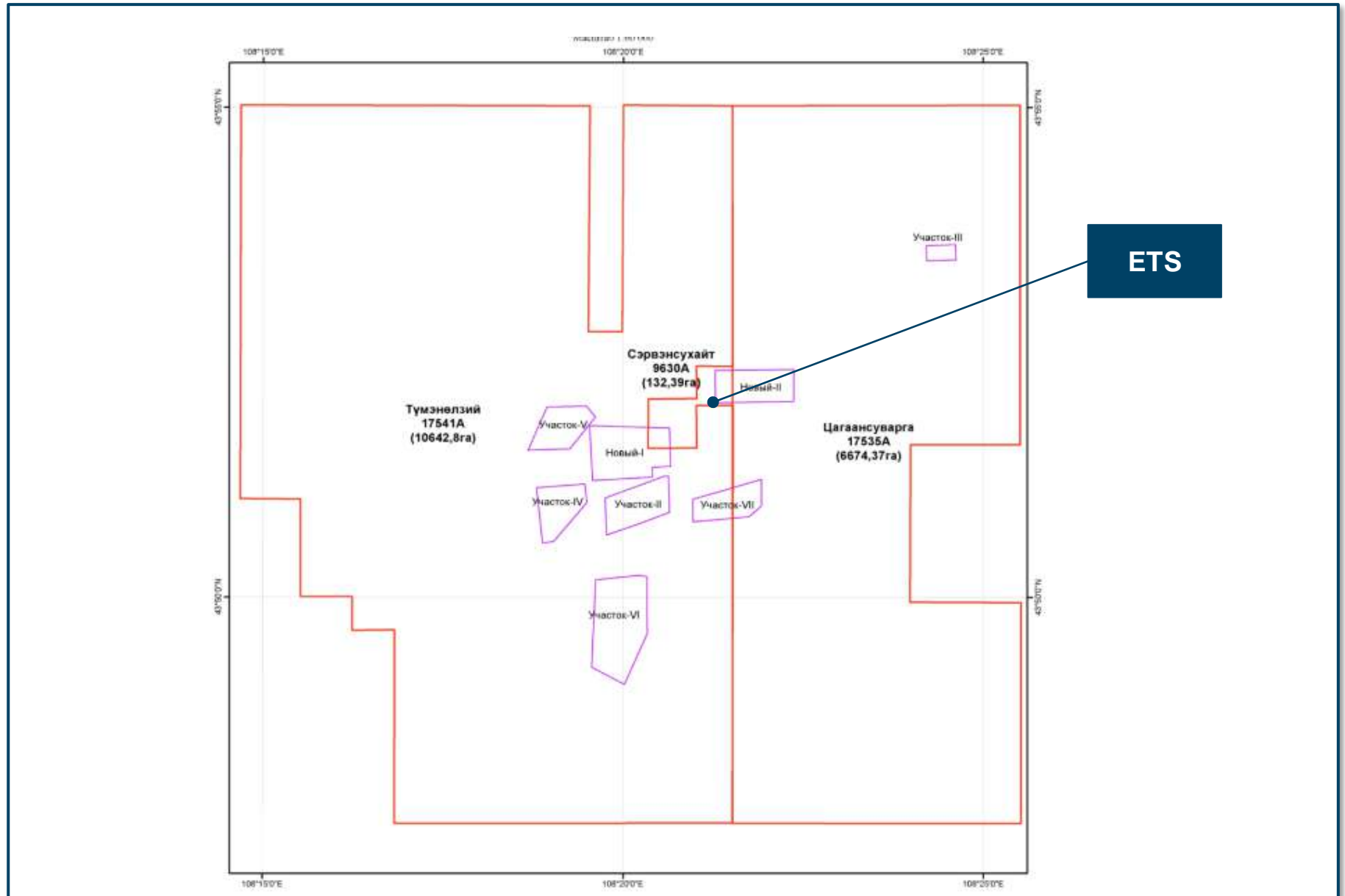
JORC mineral resource summary – Minetech – Cut-off grade of 0.13% Cu equivalent

Zone	Category	Volume million mt	Cu %	Mo %	Au g/t	Ag g/t
Primary (Sulphide)	Measured	207.4	0.586	0.022	0.048	1.248
	Indicated	100.1	0.393	0.013	0.039	1.191
	Inferred	30.7	0.329	0.009	0.033	1.016
	Total	338.1	0.572	0.021	0.048	1.23
Oxide	Measured	17.4	0.401	0.011	0.047	1.026
	Indicated	7	0.273	0.008	0.030	0.82
	Inferred	0.2	0.198	0.004	0.015	2.019
	Total	24.6	0.363	0.010	0.042	0.975
Primary & Oxide	Total	362.7	0.496	0.018	0.044	1.194

JORC ore reserve estimate – Minetech

Category	Volume million mt	Cu %	Mo %	Recoverable metal	
				Cu (kt)	Mo (kt)
Proven	217.6	0.56	0.02	1,225.2	45
Probable	72.8	0.45	0.01	326.8	10.5
Total	290.4	0.53	0.02	1,552	55.5

ETS MINING LICENSE



A POTENTIAL TO RANK AMONG THE WORLD LOWEST COST PRODUCERS



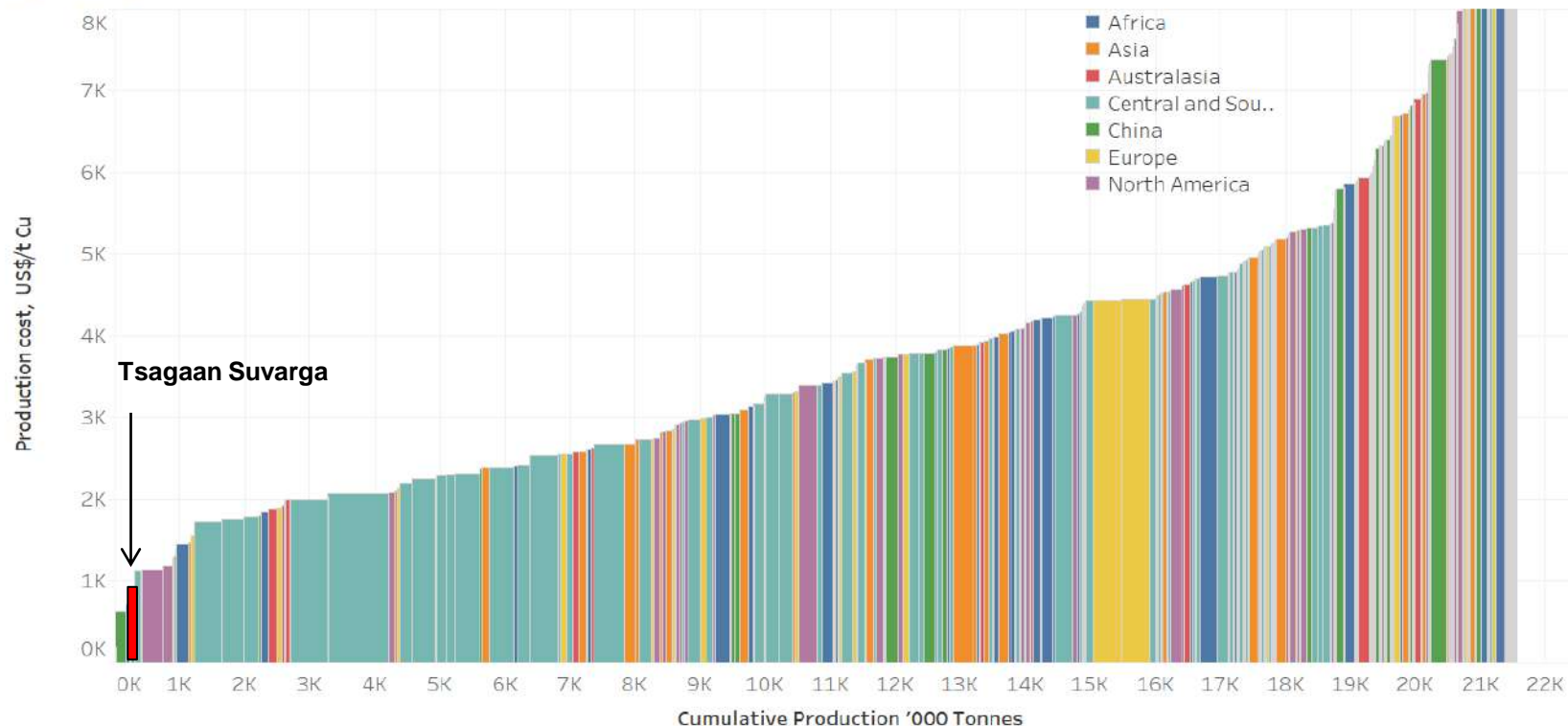
With a C1 at \$0.8/lb and C3 of USD 1.8/lb (based on an average cu price of \$3.4/lb), the Project has the potential to rank among the world lowest cost producers

- Low strip (0.75x) / Low mining cost,
- Proximity to China,
- Large scale operation

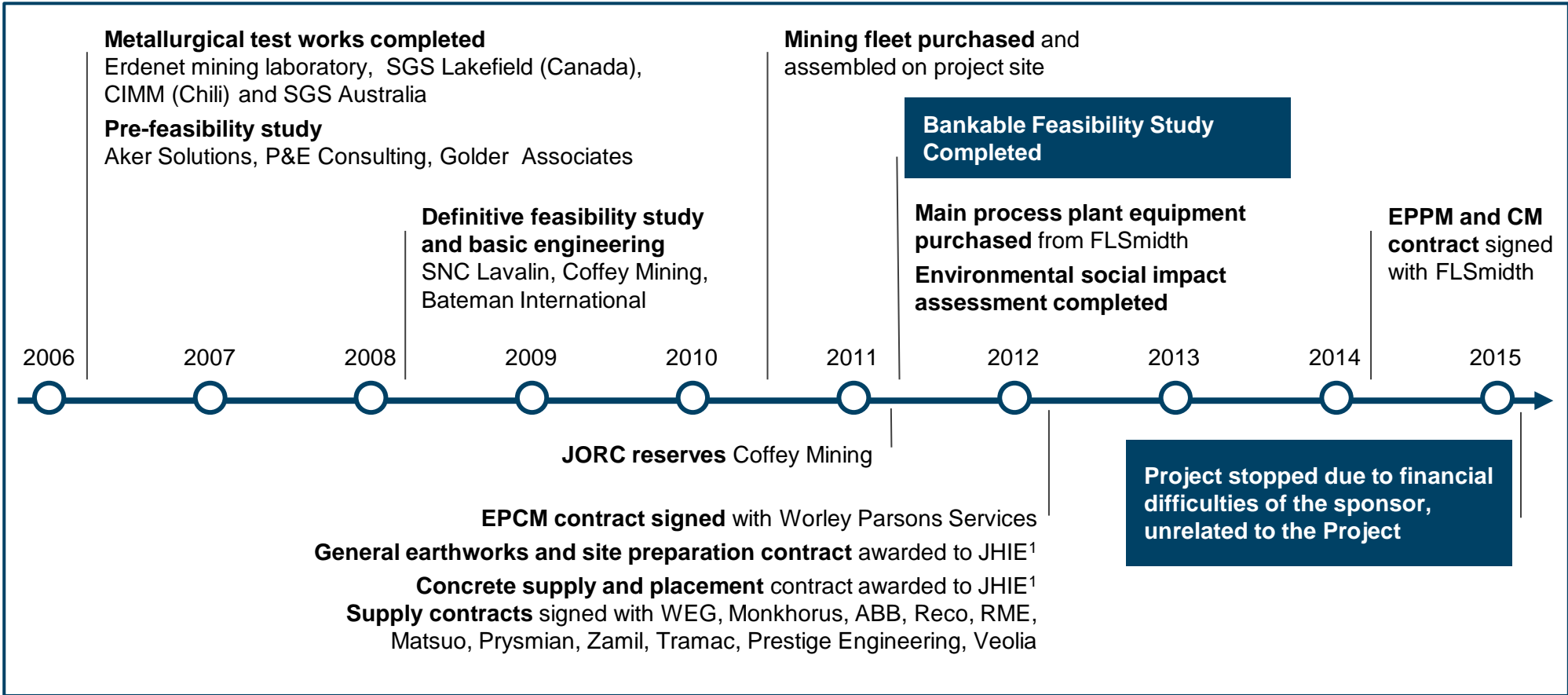
COPPER MINE COST CURVE - C1 BASIS

GLOBAL

Stated in US..



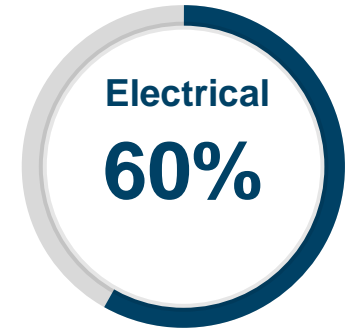
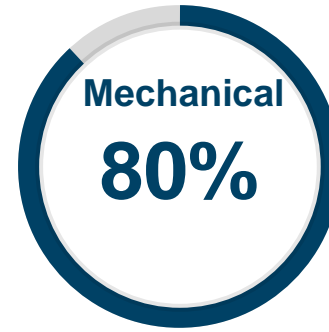
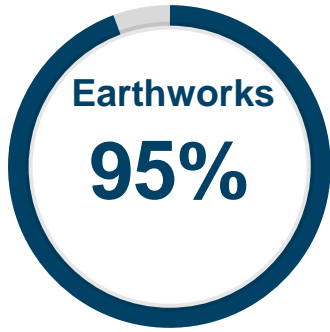
A PROJECT CRAFTED BY FIRST CLASS NAMES IN THE MINING INDUSTRY



OVERALL PROGRESS OF THE PROJECT WAS ADVANCED UP TO 46%



Engineering is almost completed



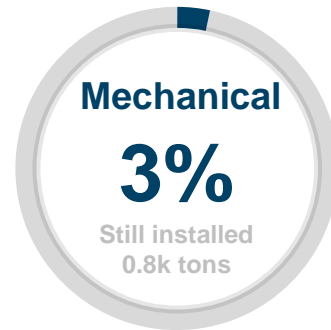
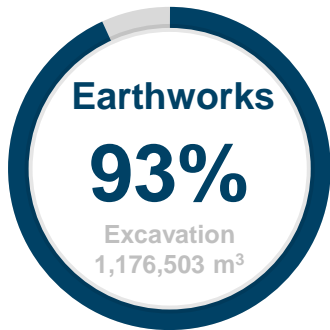
- Over 400,000 man-hours have been performed to date
- According to FLSmidth, approximately 80,000 additional man-hours are required to complete the engineering

Procurement has well progressed




- 80%+ of all required Purchase Orders have been released
- All long lead equipment are manufactured and in storage
- Key suppliers include all prime name in the industry:
 - FLSmidth: Process Equipment
 - WEG: Motors
 - ABB: E-houses
 - Matsuo: Structural Steel
 - Zamil: Pre-Engineered Buildings

Construction started





Flotation and filtration building



SAG mill

Ball mill

Mill buildings



Stockpile



Workshop and warehouse

AVALON IS CONDUCTING AN INSPECTION OVER EQUIPMENT KEPT IN WAREHOUSE



APRON feeder



70m³ flotation cells



300m³ flotation cells



300m³ flotation cells

OR BEING KEPT ON SITE

Main equipment :

- Primary crushing,
- Transformers,
- Motors,
- RE wall steel,
- HDPE pipe, fittings,
- Mill relining machine,
- HV, LV and fiber optic cable.



PROJECT FACILITIES ARE BUILT

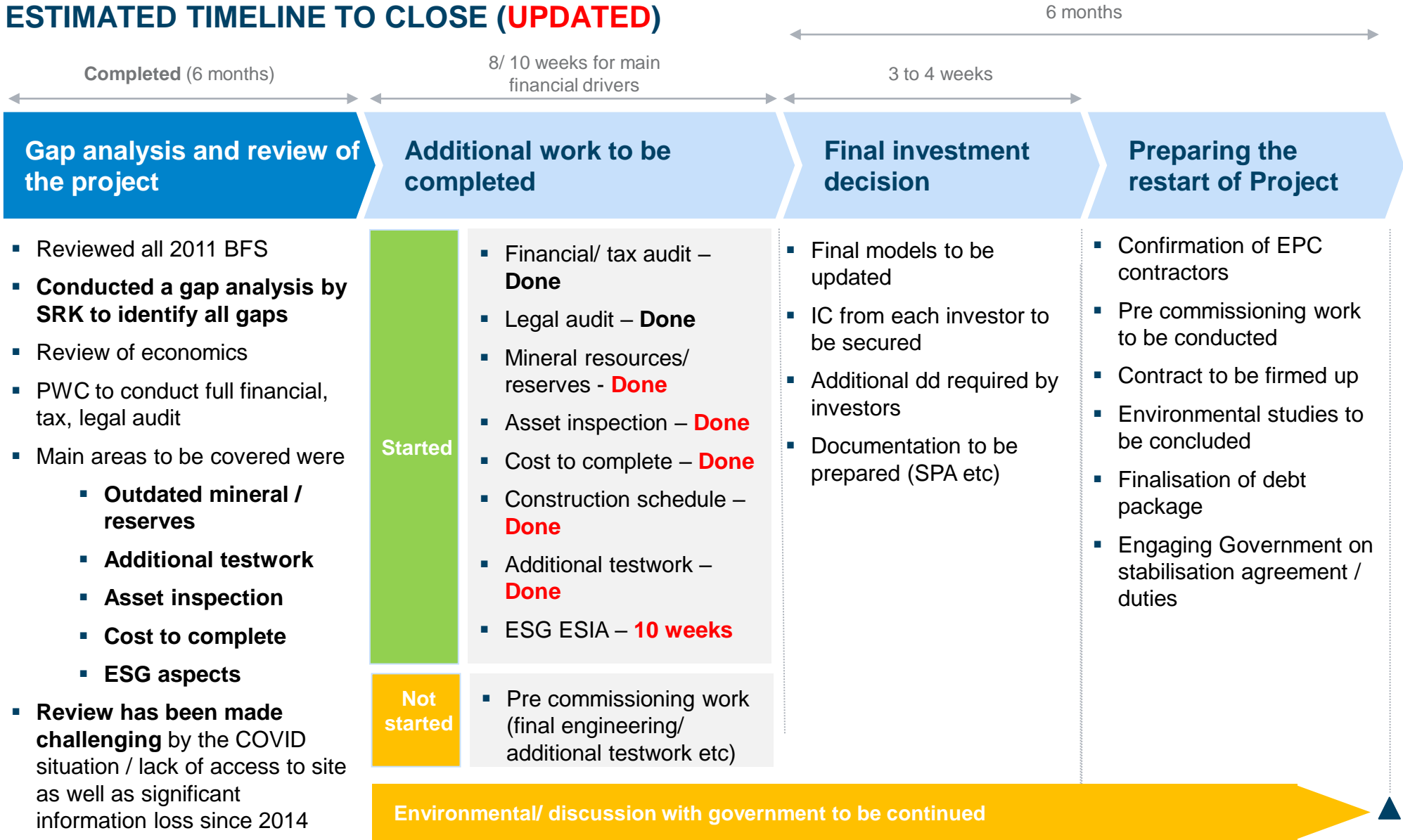


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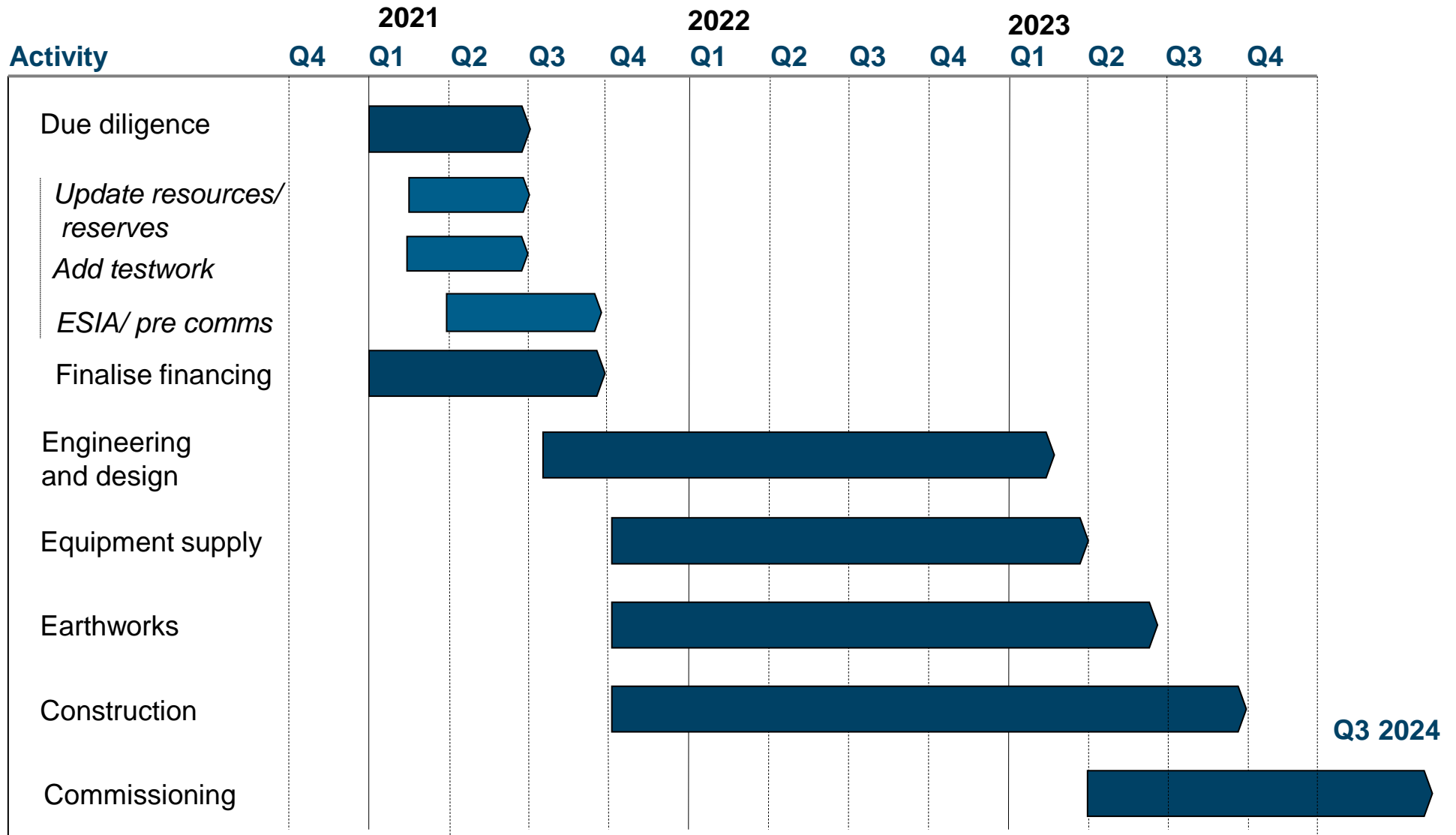
Connection to the grid / substations have been recently completed

ESTIMATED TIMELINE TO CLOSE (UPDATED)



Signed transaction documents

TIMELINE TO COMMISSIONING (AS PER FLS UPDATED SCHEDULE)



Note: a longer 30-month construction period is contemplated by Avalon as the downside case

ALL MATERIAL APPROVALS AND PERMITS HAVE BEEN OBTAINED



Permissions	Status
Surface rights:	
<ul style="list-style-type: none"> ▪ Mining license 9630a ▪ Area for the sewage treatment plant ▪ Mineral processing plant ▪ Mine camp 	Granted
Water permits (Narangiin Khooloi ground water)	Granted (annual rights, being renewed)
Land use permit(s)	Granted (annual rights, being renewed)
Permission for use of quarried material	Granted
Permissions for use of accommodation facilities	Granted
Permissions for land uses	Granted
Permission for land use for fuel stations	Granted
Mine site emergency response plan	Completed
Annual environmental monitoring and protection plan	Completed
Health and safety plan	Completed
Working commission letter for construction	Granted
Working commission letter for explosive magazine	Not obtained / detailed design of facilities has not been completed
Explosive use and blasting permits	Not obtained / detailed design of facilities and operating procedures have not been completed

MONGOLIA POLITICAL RISK

Avalon Mining has entered into discussions with the Mongolian Government which has demonstrated its full support to the development of the Project

- So far, by law voted by the Parliament, the Government has chosen not to participate in the Project.

Recent elections have brought a PM and President who are fully aligned politically

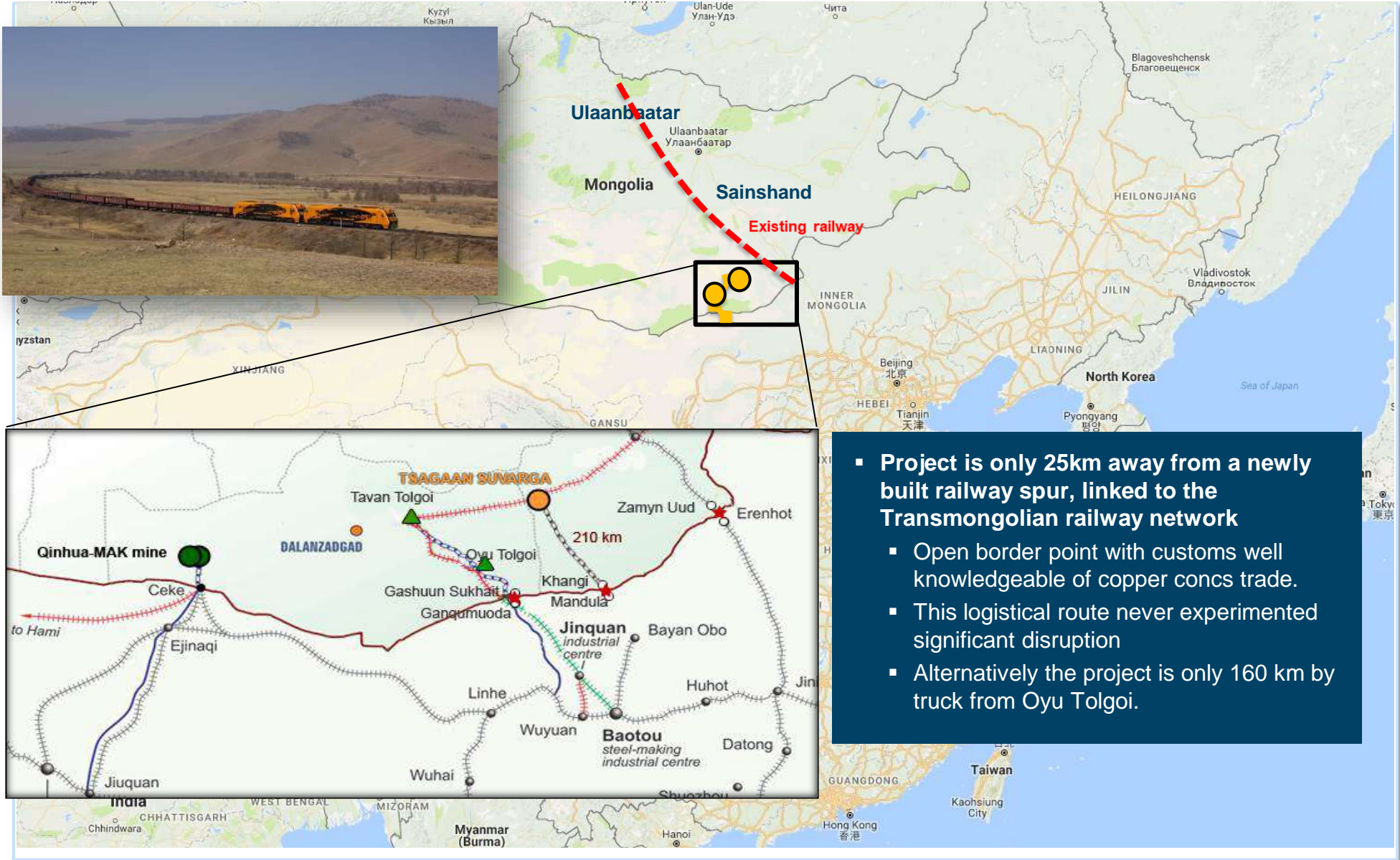
- We expect political stability and support in the medium term.



The Project benefits from an investment agreement with the Government

- An investment agreement was entered on 13 October 2015 with the Mongolian Government (similar to Oyu Tolgoi)
- It offers a stable fiscal framework for the Project along its life.
 - Tax rates of 4 major taxes (Corporate Income Tax, Royalty, Custom Tax, VAT) have been stabilized for a period of 27 years.
 - Meaning they won't be increased but could benefit from any decrease of associated tax rates.
- It prohibits **expropriation and nationalisation** and is subject to **arbitration**
 - Historically Mongolia has strong credentials in respecting such agreements, despite all public noise in media
- Taxes other than the stabilized tax applicable to the Project Company will be imposed on a **non-discriminatory basis**.
- The Mongolian Government has **granted land possession right** for up to 60 years on a contractual basis, and extend the duration thereof once for a period of up to 40 years based upon the same contractual terms;
- When providing energy to Tsagaan Suvarga Plant, the Government will set the energy source, price, tariff, payment and fees on **non-discriminatory basis**.

PROJECT LOCATION AND LOGISTICS



- **Project is only 25km away from a newly built railway spur, linked to the Transmongolian railway network**
 - Open border point with customs well knowledgeable of copper concs trade.
 - This logistical route never experimented significant disruption
 - Alternatively the project is only 160 km by truck from Oyu Tolgoi.

ETS DOES AND WILL COMPLY WITH WORLD BANK GUIDELINES – UPDATE DUE FOR OCT’ 21

Environmental management	Planned and implemented measures in accordance with international requirements								
<p>The Environmental and Social Impact Assessment (ESIA) was conducted in 2011 by JEMR and ERM</p> <ul style="list-style-type: none"> • Those follow World Bank standards and EBRD Environmental and Social Policy (2008). • Avalon Mining is currently updating the ESIA to comply with the latest environmental standards, including Equator Principles IV 	<table border="1"> <tr> <td data-bbox="745 271 1036 664">Environmental management plan</td> <td data-bbox="1036 271 2024 664"> <ul style="list-style-type: none"> ▪ Waste management ▪ Hazardous materials ▪ Biodiversity ▪ Air quality ▪ Noise management ▪ Water management ▪ Top soil and land management ▪ Cultural heritage plan-chance finds procedure ▪ Health, Safety and Environment (HSE) training program </td> </tr> <tr> <td data-bbox="745 664 1036 963">Training</td> <td data-bbox="1036 664 2024 963"> <ul style="list-style-type: none"> ▪ Waste management ▪ Chance-finds procedures ▪ Water protection ▪ Air quality ▪ Waste oil handling ▪ Biodiversity protection ▪ Project site rare wild animals </td> </tr> <tr> <td data-bbox="745 963 1036 1178">Monitoring programs</td> <td data-bbox="1036 963 2024 1178"> <ul style="list-style-type: none"> ▪ Water level and quality of bore holes and herders wells ▪ Air quality and dust monitoring ▪ Soil quality monitoring ▪ Ambient noise and occupational monitoring ▪ Animal monitoring </td> </tr> <tr> <td data-bbox="745 1178 1036 1378">Inspection and audits</td> <td data-bbox="1036 1178 2024 1378"> <ul style="list-style-type: none"> ▪ Environmental audits and inspections of the environmental management plan by HSE division ▪ Inspection from local State Inspection Authorities ▪ Environmental inspection by the specialists from the MEGD </td> </tr> </table>	Environmental management plan	<ul style="list-style-type: none"> ▪ Waste management ▪ Hazardous materials ▪ Biodiversity ▪ Air quality ▪ Noise management ▪ Water management ▪ Top soil and land management ▪ Cultural heritage plan-chance finds procedure ▪ Health, Safety and Environment (HSE) training program 	Training	<ul style="list-style-type: none"> ▪ Waste management ▪ Chance-finds procedures ▪ Water protection ▪ Air quality ▪ Waste oil handling ▪ Biodiversity protection ▪ Project site rare wild animals 	Monitoring programs	<ul style="list-style-type: none"> ▪ Water level and quality of bore holes and herders wells ▪ Air quality and dust monitoring ▪ Soil quality monitoring ▪ Ambient noise and occupational monitoring ▪ Animal monitoring 	Inspection and audits	<ul style="list-style-type: none"> ▪ Environmental audits and inspections of the environmental management plan by HSE division ▪ Inspection from local State Inspection Authorities ▪ Environmental inspection by the specialists from the MEGD
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AVALON HAS ASSEMBLED A WORLD CLASS TEAM TO BUILD THE PROJECT

PIERRE YVES RIGAUX
CEO



Familiar with the Project for over 10 years

Ex CFO Asia Pacific for Trafigura, a leading trading group with significant presence in Mongolia. Ex CEO of Galena Asset Management and Head of mining and metals for BNP Paribas in Asia Pacific

JOHNNY VELLOZA
COO



Mining experience of over 30y (geology, mining and processing). Worked in diamonds, iron ore, copper and cobalt as exploration manager, project manager, and executive (BHP Billiton, AngloGold Ashanti, De Beers). Ex CEO of Chemaf (copper and cobalt)

PHIL PRICE
PROJECT MANAGER



Qualified metallurgist/process engineer and project manager.

For the last 12y, he has built copper and gold projects across all continents such as DeGrussa Copper Project (Sandfire) in Australia and Kipoi LoMP Project (Tiger Resources) in DRC

PUREVDULAM LKHAGVASUREN
ESG MANAGER



Puje has over 9 years experience in conducting environmental work in Mongolia

She has performed a number of ESIA studies including for other mining companies such as OT and a number of other mining companies in Mongolia

VICTOR CHIN
CFO



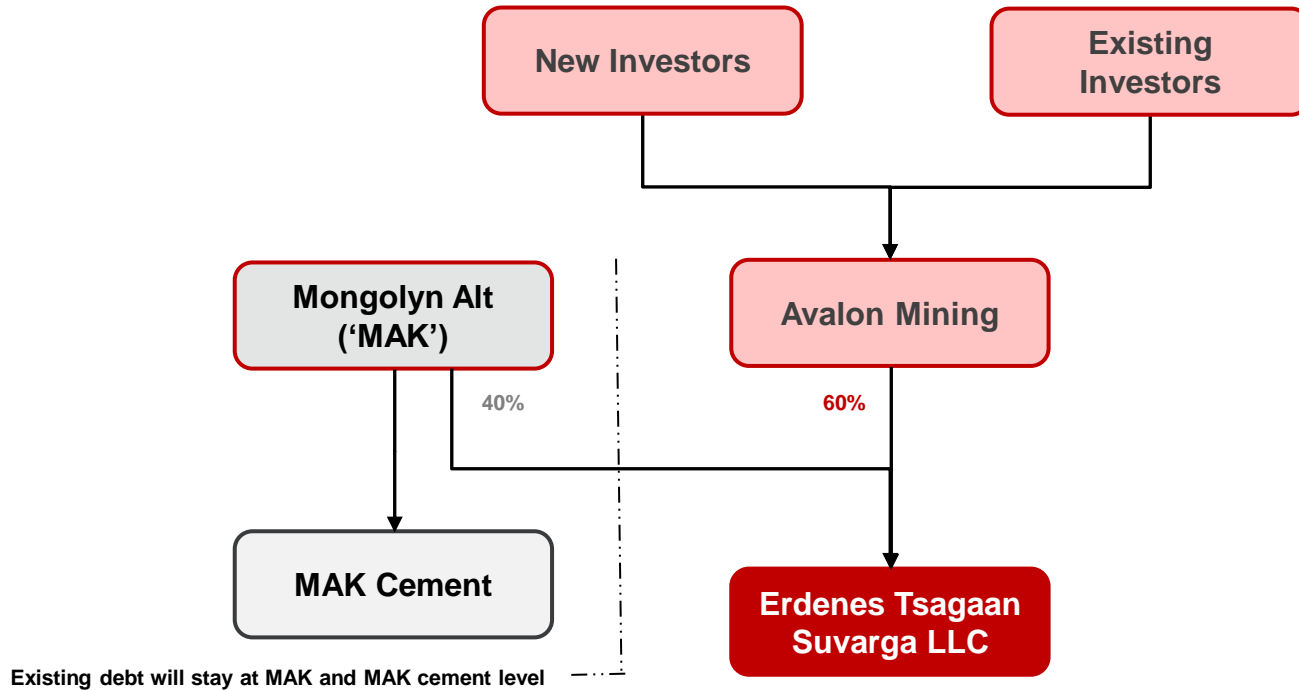
Victor has over 13 years of experience in corporate finance and investment banking (BNP Paribas, HSBC and Deutsche Bank), primarily focusing on natural resources and mining industry (with a focus on Mongolia). He graduated from Cornell University and is fluent in Chinese

BAYARAA BATSUKH
COMMUNITY MGR



Bayarjargal has diverse experience of 14 years in environment/Community and government affairs. He worked in various mining companies and is an active member of a number of NGOs and consulting firms.

Bayarjargal has a MSc, Ecology, Department of Biology



- Avalon Mining Corp. is currently a Singaporean holding
- Company will be private until a listing after commissioning to maximize value
- Avalon Mining will control the Project and ensure it is brought to full operation
 - All future equity raise will be done at this level
- Project will come on a no debt/ non encumbrance basis
 - All new debt will be at ETS level

POSSIBLE FUNDING PLAN – FOR DISCUSSION ONLY

Uses	US\$ million	Note	Sources	US\$ million	Note
Capex already spent	429		MAK equity	429	
Mining costs	62	Mining equipment and overburden removal	Mining contractor	62	Funded by mining contractor
Remaining capex to completion	776	Updated draft quote FLS 2021, including 7% owners costs	Debt and quasi debt	450	UFK/ Euler Hermes being mandated (bridge option being also considered)
Working cap	50	Estimate	Streaming facility	200	Terms being discussed
Contingency	72	10% Contingency	Working cap	50	From local banks
Transaction costs	15	Upfront fees/ dd/ documentation	Equity	213	To include a CB tranche
Sub Total	975		Sub Total	975	
Total	1,404			1,404	

Total debt target of \$700m

Total equity target of \$704m

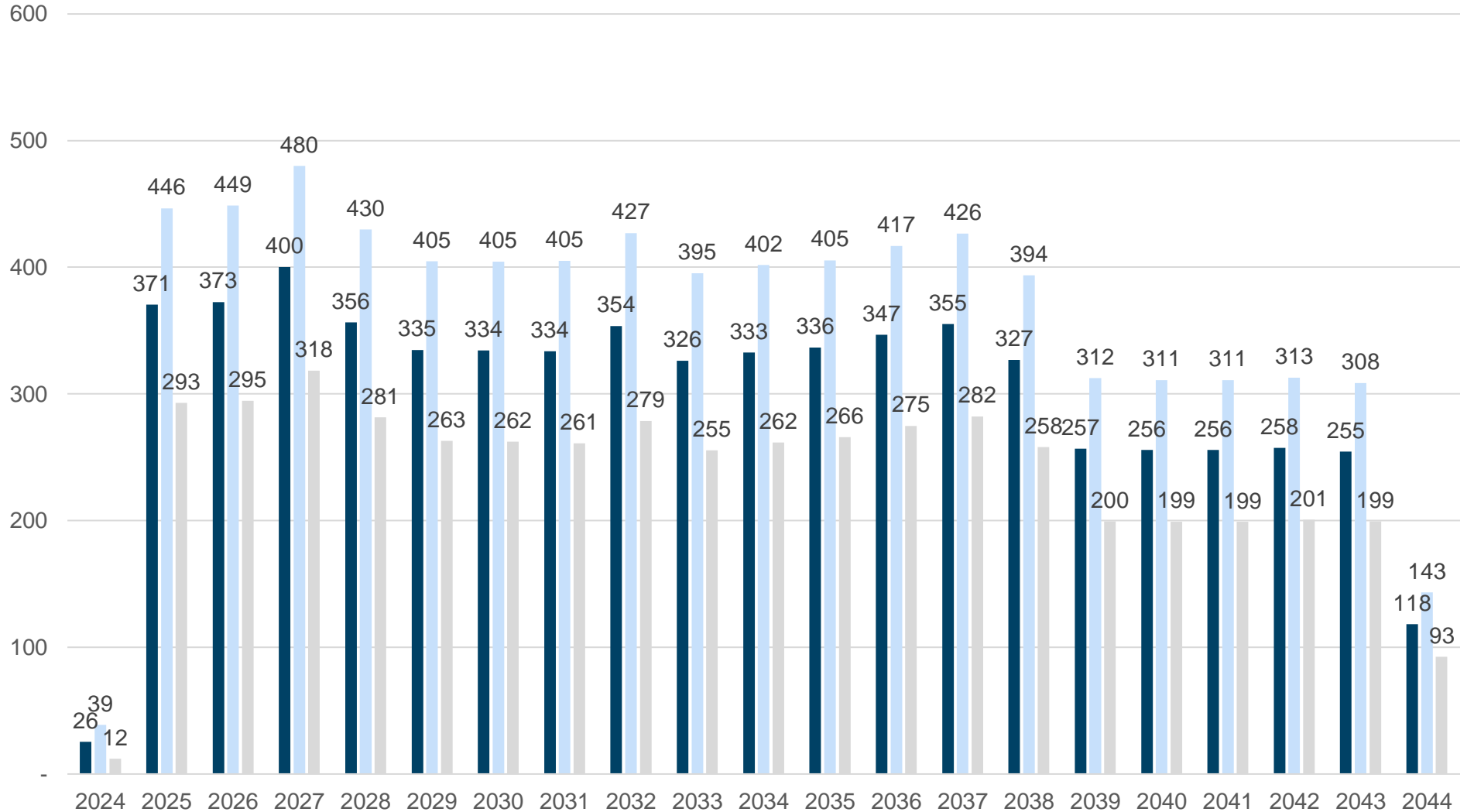
A project able to produce strong cash flow over the years

EBITDA

USDm

■ Base case ■ Base case + 15% price ■ Base case - 15% price

EBITDA (US\$ mln)



- If the market's valuation of copper projects stays at the similar level as current forward using 2022E multiples, at the time of commissioning (2024E), ETS' equity could be valued:
 - EV/EBITDA (2021E) multiple range of 1.9– 13.6x with an **average of 5.3x**
 - **Based on EV / EBITDA (2024E): (USD328 x 5.3 – USD 500 debt) x 60% = Equity USD 743 m**
 - **Significant multiple compared to the equity being injected today in the Project**

Copper Trading Multiples (July 2021)

USDm

December YE US\$m	Share price (local)	Enterprise value (US\$m)	Market cap. (US\$m)	Net debt/ LTM EBITDA	P/NAV	EV/EBITDA		P/E		LTM performance
						2021E	2022E	2021E	2022E	
BHP	GBP 33.12	204,328	186,219	0.4x	1.0x	5.2x	5.6x	10.0x	11.0x	49.0%
Rio Tinto	GBP 87.85	151,558	146,477	(0.0x)	1.3x	3.5x	4.8x	5.8x	8.2x	41.2%
Freeport	USD 38.47	68,685	56,379	0.4x	1.3x	6.4x	5.9x	13.3x	12.5x	189.2%
Southern Copper	USD 67.71	56,951	52,345	0.8x	1.7x	8.4x	9.6x	14.5x	15.6x	52.9%
Grupo Mexico	MXN 4.89	44,342	38,057	0.5x	0.6x	4.9x	5.5x	9.2x	9.1x	79.9%
First Quantum	CAD 21.63	24,702	14,932	2.8x	0.9x	6.5x	5.3x	14.8x	8.8x	140.3%
Antofagasta	GBP 21.42	23,553	21,115	0.0x	1.4x	5.0x	5.4x	14.1x	14.9x	58.0%
MMG	HKD 0.51	13,279	4,424	3.2x	0.7x	4.8x	5.2x	7.5x	8.6x	94.6%
KGHM	PLN 52.08	9,738	10,417	0.7x	0.9x	3.5x	4.5x	6.6x	7.3x	48.8%
Ivanhoe Mines	CAD 7.62	7,460	9,201	(3.9x)	1.0x	44.1x	13.6x	NA	31.0x	118.3%
Lundin	CAD 9.01	7,202	6,650	0.0x	1.0x	4.2x	4.1x	8.3x	8.1x	50.3%
OZ Minerals	AUD 17.44	6,352	5,808	0.8x	1.2x	7.6x	7.6x	15.2x	13.4x	78.9%
Turquoise Hill	CAD 15.44	5,585	3,107	4.2x	0.4x	4.7x	8.8x	5.7x	12.6x	76.3%
Hudbay Minerals	CAD 7.25	2,836	1,897	2.0x	0.8x	4.8x	3.4x	16.6x	6.9x	112.9%
Capstone	CAD 4.66	1,758	1,911	(0.5x)	0.8x	4.0x	4.4x	7.9x	8.8x	487.1%
Sandfire Resources	AUD 5.11	674	910	(0.7x)	0.8x	1.9x	3.6x	6.4x	12.4x	28.2%
Central Asia Metals	GBP 3.51	650	617	0.3x	0.9x	4.7x	4.8x	7.9x	7.6x	58.4%
Average					1.0x	7.3x	6.0x	10.2x	11.6x	103.8%
Median					0.9x	4.8x	5.3x	8.8x	9.1x	76.3%

Source: J.P. Morgan Asia Metals and Mining Market Update (July 2021)

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