



Special Feature: Convertible Debentures

Getting Paid to Wait for the Right Speculation

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Getting Paid to Wait for the Right Speculation

In this month's KRO we have the following:

1. The best "hybrid PP" opportunity I have ever seen, and
2. An update on portfolio positions.

In late April, Warren Buffet shocked the investment world....

His company, Berkshire Hathaway (BRK:NYSE), committed \$10 billion to fund Occidental Petroleum's (OXY:NYSE) \$38 billion dollar bid for fellow oil and gas producer Anadarko Petroleum (APC:NYSE).

Buffet demanded an 8% coupon on his preferred shares along with 80 million warrants, exercisable into common shares of Occidental Petroleum.

Buffett was able to get an incredible deal because the company knew that with him there is no financing risk and the company gets the "Buffett" seal of approval.

If Warren is doing deals with the largest oil companies in the world and getting 8% interest rates plus a half warrant, it's insane to think junior oil and gas or mining deals should be pricing at anything less than that.

I used the Buffett logic to lock in what I believe is the best priced listed *Convertible Debenture* to ever be done on a Canadian Stock Exchange.

For a quick summary, we will get:

- Paid 10% interest in cash quarterly,
- With the right to convert into shares for 3 years,
- And the conversion comes with a full 5-year warrant.

I have personally backstopped half of the CAD\$10 million convertible debenture to get these terms.

This company checks all the boxes.

- ✓ It's got a solid CEO who is heavily invested in the company, with a long proven track record in this sector;
- ✓ 42% insider ownership. Skin in the game in a big way;
- ✓ The company already generates millions in revenue and has massive growth potential;
- ✓ Paying customers of the company include the US Dept. of Defense, Duke Energy, Bank of America and Starbucks to name a few;

- ✓ The company is establishing a protective “moat” to become an industry leader, and:
- ✓ I believe this company is perfectly positioned to benefit from one of the greatest growth sectors ever, the Internet of Things (IoT).

Convertible Debenture - Deal Terms:

Universal mCloud (MCLD:TSXV) is offering a 3-year term, CAD\$10 million convertible debenture, with a coupon rate of 10%. I expect the deal size to be increased, probably to CAD\$20,000,000, as the terms are very lucrative for the investors.

Interest will be paid in cash on a quarterly basis.

The debenture will be listed and free trading with a ticker symbol on the Canadian exchange.

There is also a conversion feature which allows the debenture holder to convert their debt into shares of Universal mCloud at CAD\$0.50 per share for 3 years.

If you convert, you will get a unit. Each unit comes with

- ✓ A share at CAD\$0.50, and
- ✓ A full 5-year warrant with an exercise price of CAD\$0.75.

Universal mCloud (MCLD.V) www.mcloudcorp.com			
Price	Share: CAD\$0.42	MCap: CAD\$60M	As of: 05/27/2019
Shares	SO: 150M	FD: 178M	As of: 05/27/2019
Warrants	UnEx: 25.5M	Price: CAD\$0.45	Exp: 09/30/2020
Options	Open: 2.7M	Price: CAD\$0.35	Exp: 03/31/2022
Cash	CAD\$12M*	Debt: CAD\$10M*	As of: 05/27/2018

*Assumes CAD\$10M convertible debenture

Company Information	Company Name: Universal mCloud Corp Primary Listing: TSX: MCLD Secondary Listing: OTC: MCLDF Market Capitalization: CAD\$60M Portfolio Type : Investment Guidance : If Accredited: Buy in Private Placement If not accredited: Buy under CAD\$0.40 (\$0.30)	
Balance Sheet & Structure	(CAD\$)	
Cash	\$12M*	
Total Debt	\$10M*	
Dividend	0.00%	
Shares Outstanding	150M (178M fully diluted)	
Options/Warrants	28M (Avg. exercise price \$0.44)	
Revenue Segments (CAD\$)	2019 Est.	2020 Est.
Smart Buildings	\$9.7M	\$27M
Wind Turbines	\$0.6M	\$1M
Smart Oil & Gas	\$36M	\$44M
Secure Data	\$9M	\$11M
Total Revenue	\$55M	\$83M
Areas of Operations:	Canada, United States, China	
Company Catalysts	Take Smart Oil & Gas business international Smart Buildings: Hit 40,000 connected devices in 2019	

*Assumes \$10M debenture

All *Katusa's Resource Opportunities* subscribers can get into the deal at the same price and time as myself if you so choose.

NOTE: NO fees will be paid to anyone for this financing. It all goes into the company's operations.

The convertible debenture will be listed at \$100 par value. Using the three different most commonly used mathematical models to calculate the value of the listed debenture, the debenture should trade anywhere between CAD\$125-138 per debenture.

The most commonly used model is actually the Bloomberg debenture pricing model. We have inserted the metrics below. The Bloomberg model wasn't able to calculate the 500% soft call trigger (that's what we have) nor the full 5 year warrant at CAD\$0.75. Even without those two features, the listed debenture as per Bloomberg model values the debentures currently at CAD\$135.829. This is conservative and very good pricing for us.

Basic Input		Pricing Output	
Ticker	MCLD CN EQUITY	Theo Price	135.829
Series	SER	IR Sens	-2.433
Short Name	MCLD	Cheapness (%)	-2.267
Security Type	Fixed Coupon	Bond Floor	116.427
Coupon	10	Imp Spread	3575.873
Premium	19.047619047619	Delta	53.648
Is Perpetual		Gamma	0.400
Maturity (yrs)	3	Vega	0.461
Discr Puts (yrs)		Theta	0.010
Call Prot (yrs)	0	Imp Crdt Delta	86.109
Soft Callable (yrs)	3		
Soft Call Trig (%)	200		
Bond Currency	CAD		
Yield Curve	S4		
Stock Ticker			
Volatility (%)	40.000		
Credit Src	3) Setup		
Spread (bps)	500		
Model Type	Black-Scholes		

That alone shows significant value to the listing of the debenture.

In the pages below I will outline why I believe Universal mCloud is very undervalued.

After reading the report, if you like the concept, here's what to do:

STEP 1

Call: John Fraser at 1.604.602.9590 and tell him the following:

1. Your full name and that you are a Katusa Research Subscriber;
2. The total amount you would like to invest into the convertible debenture in CAD dollars (for U.S. subscribers, take your USD amount and multiply by 1.34);
3. Your phone-number;
4. Your email;
5. Your physical address.

John will take down the orders and then get back to you within a few days with your allocation and the subscription forms which will include the wire payment instructions.

STEP 2

Follow up with an email to John.Fraser@mcloudcorp.com

State your name, the total amount you would like to invest in Canadian Dollars, your phone number, and your mailing address. Think of this method as a backup to the phone call. I know it's a pain, but I believe it's worth the extra effort.

NOTE: Please do not call the Katusa Research office to leave your information and desired allocation. You must call the company.

NOTE: AS OF JUNE 24TH 2019, THE MCLD FINANCING IS CLOSED. Please do not call the company requesting an allocation.

Now, on to the investment:

Over the last few months we have shown how poor a job many mining executives have been in returning yield to their shareholders.

In [last month's KRO](#), I stated that we were very close to finishing negotiations for a Convertible Debenture.

I know this type of investment will be new to most, which is why you should read through the whole report. This is the most innovative way we have seen to play a high growth story that already has considerable revenue. You will not find a deal structured like this in any other newsletter.

This won't be for everyone.

But you should really think about this opportunity as it's a great one.

However, **please read the whole piece.**

I am personally back stopping CAD\$5,000,000 of the CAD\$10,000,000 convertible debenture. These are the best terms I have ever seen for a convertible debenture.

Like the Uranium Royalty Corp private placement we did about a year ago (which is anticipated to go public before year end), all who participate need to be accredited. To prove you are accredited you need to tick either the box in the subscription forms that states you are worth over \$1,000,000, or the box that states you earn over \$200,000 per year alone or over \$300,000 per year combined with your spouse.

If you are not accredited - don't worry - the company is publicly traded. You can buy shares in the market. At the bottom of the report there will be the usual buy under guidance for everyone.

I will admit that I was very alligator-ish on this one.

Because of a screw up by the company's auditor, which resulted in its audited financials being delayed, I was able to secure very lucrative terms for myself (and you, if you choose to play alongside me).

Using Buffett as an example, I used the leverage of management knowing there would be no financing risk with me, and the company would get the “Katusa” seal of approval and a lot of my own money. But I needed terms that significantly increased the odds of success for myself (and any of my subscribers that participate).

This is not a traditional Private Placement (PP)...

This is a Private Placement (PP) into a convertible debenture which will be listed and free trading. The minimum investment into the convertible debenture is CAD\$5,000 (~USD\$3,700).

Again, here is the structure of the convertible debenture offered:

1. The debenture will pay 10% interest annually, paid out quarterly;
2. The company will also be listing the debenture, meaning the debenture will trade like shares on the stock market;
3. The convertible feature of the debenture allows the debenture holder (us) to convert the debenture into shares of the company for 3 years, at a price of CAD\$0.50 per unit;
4. Each unit comes with
 - a. One share at CAD\$0.50, and
 - b. One full 5-year warrant exercisable at CAD\$0.75.

We believe the value of the debenture will increase as the growth and revenue of the company increases.

This may seem complicated, but it's not.

Basically, we are lending the company money at an interest rate of 10% annually for three years.

If the company's share price doesn't move...

We will collect 10% interest per year, paid quarterly, for three years. And then in 3 years the company will pay back the principal.

But if the management team executes as planned...

We, the debenture holders have the right to convert our loan (called a convertible debenture) into units at CAD\$0.50. After this, it would be like having done a private placement at CAD\$0.50 per unit with a full 5-year warrant at \$0.75. Except you convert at your will when the stock price is a lot higher than the conversion price.

That said, we think the debentures should trade well above the par value of CAD\$100, and those who want to sell for a nice gain can do that also.

Let me walk you through an example:

Doug Casey, who is a paid KRO subscriber, takes CAD\$500,000, which is 5,000 units of the MCLD convertible debenture (remember they are priced at CAD\$1,000 par).

Over the first 15 months (5 quarters), Doug collected his 10% interest per annum paid quarterly in cash directly into his brokerage account.

With some strong revenue growth, Universal mCloud share price climbs and starts trading significant volume at CAD\$0.75 per share.

Doug decides to *convert* his debenture into shares.

Even though the share price is CAD\$0.75 per share in this hypothetical example, Doug's price is CAD\$0.50 per unit, because of the rights the holders of the convertible debenture have.

Thus, Doug converts his CAD\$500,000 debenture into 1,000,000 units of MCLD which means he gets 1,000,000 shares and 1,000,000 full 5-year warrants with a fixed strike price of CAD\$0.75.

The prudent move at this point for Doug in this hypothetical scenario would be to sell 700,000 shares and take a Katusa Free Ride and some profit. Then Doug is left with 300,000 shares and 1,000,000 units for 3.75 years in this example. That is a great trade, and a wonderful position to be in. I am doing this debenture because I believe this hypothetical example can become a reality within the next 3 years.

This is a great deal for us.

Are there risks? Of course.

As always, the company can fail and go to zero and we lose all our money. That is the worst-case scenario.

I do not think that will happen.

We will show later in this report with very detailed analysis that with the company's current operations, even with a decrease in revenues, our interest payments are safe.

More importantly, if the company succeeds, we get to participate in the upside.

mCloud Background

The deal you are going to read about below is with a company that I have followed for almost a year.

I tried to do a deal with this company last year unsuccessfully. The CEO, Russ McMeekin, wouldn't accept my terms.

I wanted my full 5-year warrant, and management had substantial demand for a financing without the Katusa Warrant. Russ did the financing mostly with himself and his close associates.

Being an alligator, I followed the company closely and spoke to management regularly during the last year. I'm patient for myself and KRO subscribers, knowing that growing companies always need capital.

Over the last year, the management team have executed very well and have done exactly what they have stated they would do. Recently, the company announced a game changing, positive acquisition in the oil and gas technology space that requires a large financing.

This is a perfect alligator opportunity for us.

OPEN DISCLOSURE

Every analyst on staff at Katusa Research will be investing personally into the deal at the same price and time as subscribers. Marin Katusa intends to be the largest investor in the convertible debenture. That is a signal of our confidence on the deal.

Universal mCloud Convertible Debenture Deal Terms

Here are the full details of this financing.

Universal mCloud is offering a 3-year term, CAD\$10 million convertible debenture, with a coupon rate of 10%.

I expect the deal size to be increased, probably to CAD\$20,000,000. Because the terms are very lucrative for the investors.

Interest will be paid in cash on a quarterly basis.

There is also a conversion feature which allows the debenture holder to convert their debt into shares of mCloud at CAD\$0.50 per share for 3 years. If you convert, you will get a unit, which comes with a share at CAD\$0.50 and a full 5-year warrant with an exercise price of CAD\$0.75.

Forced Conversion Clause:

The company can force debt holders to convert their debentures at \$0.50 per share if the company's share price trades above CAD\$2.50 for 30 business days.

This is a fantastic structure. It's why I have personally backstopped 50% of the CAD\$10,000,000 debenture.

So, you get paid 10% to wait and see if management can deliver on their business plan. If they do, we win big.

If they don't, two things can happen:

1. The company muddles around, refinancing the convertible in 3 years while we collect 10% on our money annually.

Worst case scenario:

2. Management screws up, the deal goes to zero—and we lose 100% of our investment. I wouldn't be doing this if I thought this was something that could happen. If that is the case, debenture holders are ahead of the equity holders. But it's still a risk.

Why am I doing this?

This company has all the elements needed to be a big winner and the terms favor us. More importantly, it has...

Exposure to a Major Investment Theme: Internet 2.0 - The Internet of Things

It's one of the biggest themes the investment world has seen over the past 10 years.

Be long the disruptors, and short the disrupted. Long Netflix, short Blockbuster is a great example.

In the late 90s and early 2000s the Internet took the world by storm. Everyone wanted to be online. We have entered the Internet 2.0 era, the "Internet of Things", or IoT.

The Internet of Things will give us more than just the ability to watch streaming shows on Netflix or Disney+.

- **The Internet of Things is going to give big business the ability to change how they manage day to day operations, down to the minutiae, to reduce operational costs.**

Let's use an oil well as an example.

A well has pumps that are pumping oil two thousand feet below the earth's surface and a mile away from the wellhead.

Now let's say there's only a trickle of oil coming out from the wellhead. Does it mean the well is dry and there's no oil? Or does it mean the pump is malfunctioning?

Thanks to the Internet 2.0, the pump can be fitted with a sensor that can monitor data points like performance, production, sulphur levels, water, pressure etc. Think of the sensor as a "fitbit" for the oil well.

These sensors send information to the control centre that determine (in real time) how best to optimize the operation.

If a part breaks, the pump can interact with the company's database and send an order for a replacement part.

It may sound terrifying, but this is the future.

Real time monitoring of assets is going to minimize unplanned maintenance downtime and increase profits.

The rise of the internet and all the connected devices that came along with it are amidst generating another massive investment theme in the Internet of Things (IoT).

Currently, there are over 30 billion devices connected to the internet and this number is forecast to rise to 50 billion by 2030. According to accounting firm PWC, between 2015 and 2020 businesses will invest \$6 trillion into Internet of Things solutions.

The amount of information that will soon be readily available for data collection and analysis is almost unfathomable. Whomever can collect and process this data, will be a big winner.

Information is an Incredibly Valuable Asset

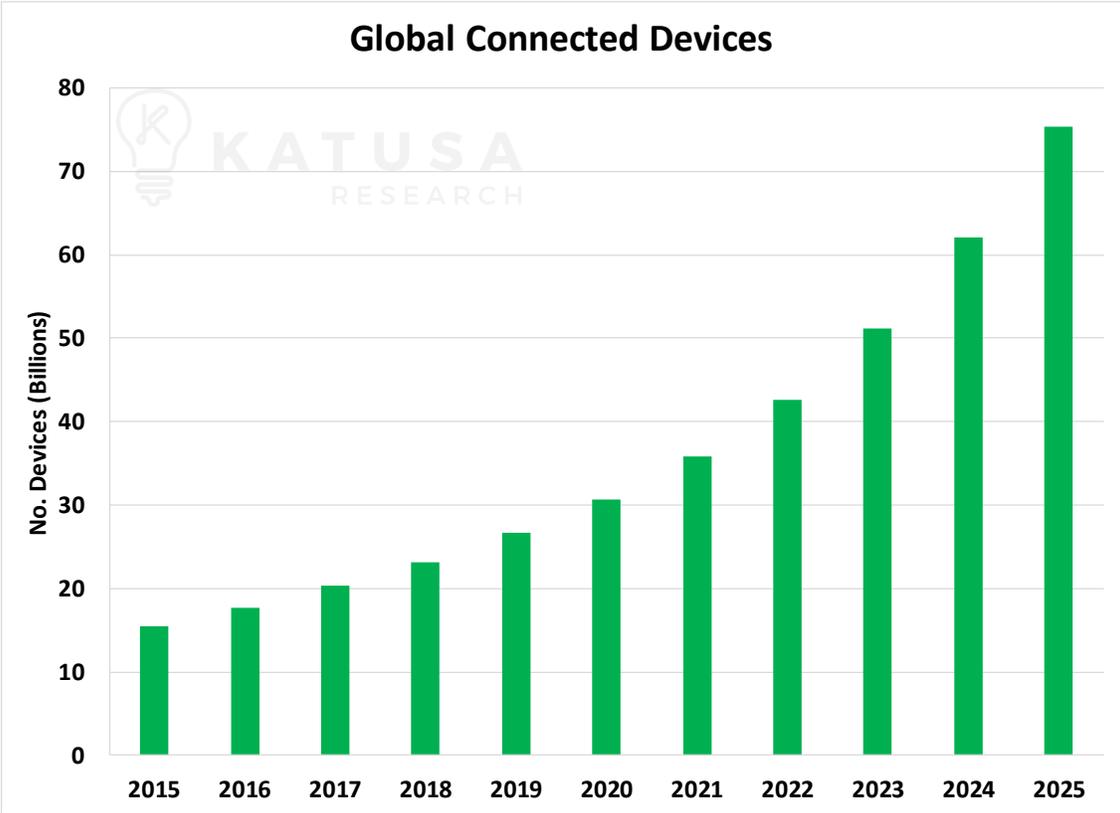
Take a General Electric jet engine for example...

Prior to 2010, a jetliner used to collect information from 30 sensors at 3 points during the flight. Once at takeoff, once at cruising altitude and once on landing.

Now, a GE jet engine collects 5,000 pieces of information every second of every flight.

A newly built Airbus A380 is fitted with 25,000 sensors connected to the internet. Each of those sensors communicate in real time with the pilot and operations teams on the ground.

It's estimated that within the next 5-10 years there will be well over 50 billion devices connected to the internet. This is a conservative forecast.



In 2020, consumers, governments and industries will invest \$1.5 trillion in this space.

And by 2025 over \$6 trillion will be invested.

The most valuable commodity today is actionable information.

Think I'm crazy?

Here's a real-life example of how powerful real time data analytics can be.

Every plane in the world has its activity tracked. **Quandl**, a company that specializes in harnessing alternative data sources, showed the private jet of Occidental Petroleum fly around to all of Anadarko's different oil fields.

And then it showed Occidental's plane flying to Omaha, Nebraska.

A few days later, Occidental and Berkshire Hathaway went public with a deal to buy Anadarko Petroleum for \$38 billion.

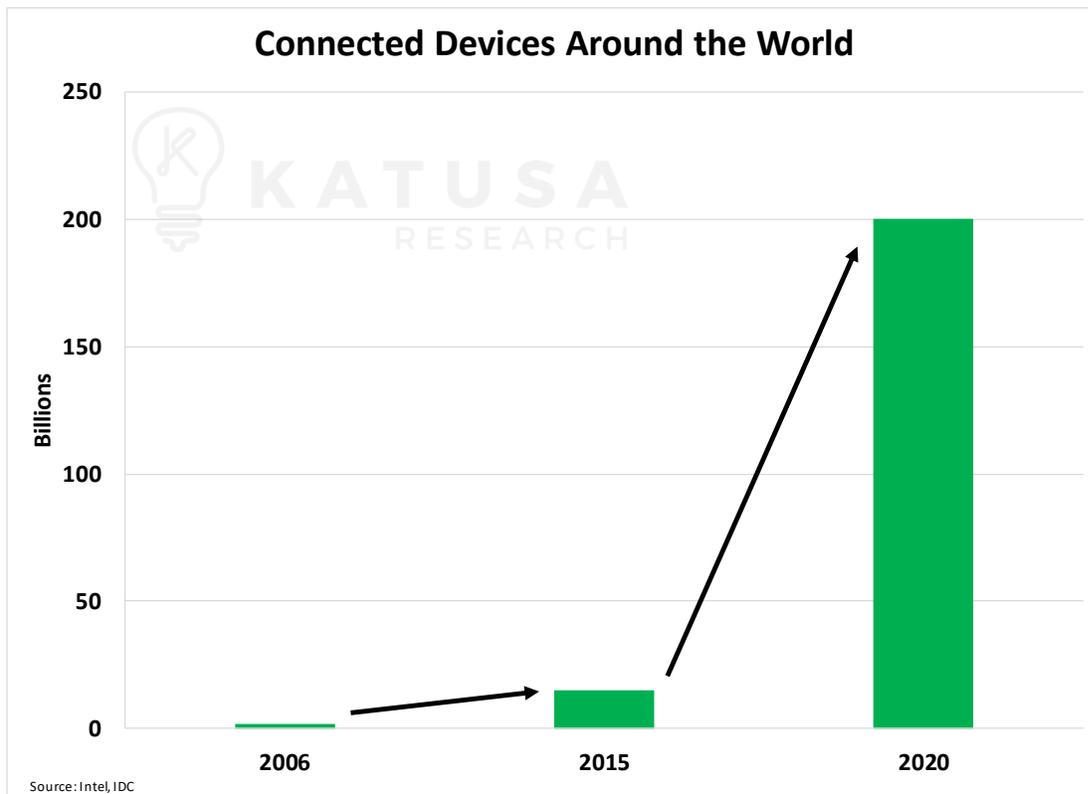
That is not inside information. It's the new playing field.

Next Level Intelligence

While that's a cool example on its own, it goes a lot deeper than that.

Right now, there are billions of devices connected to the internet. It's not just cell phones and computers but also devices in oil fields, manufacturing facilities and in warehouses like Amazon's packaging centers.

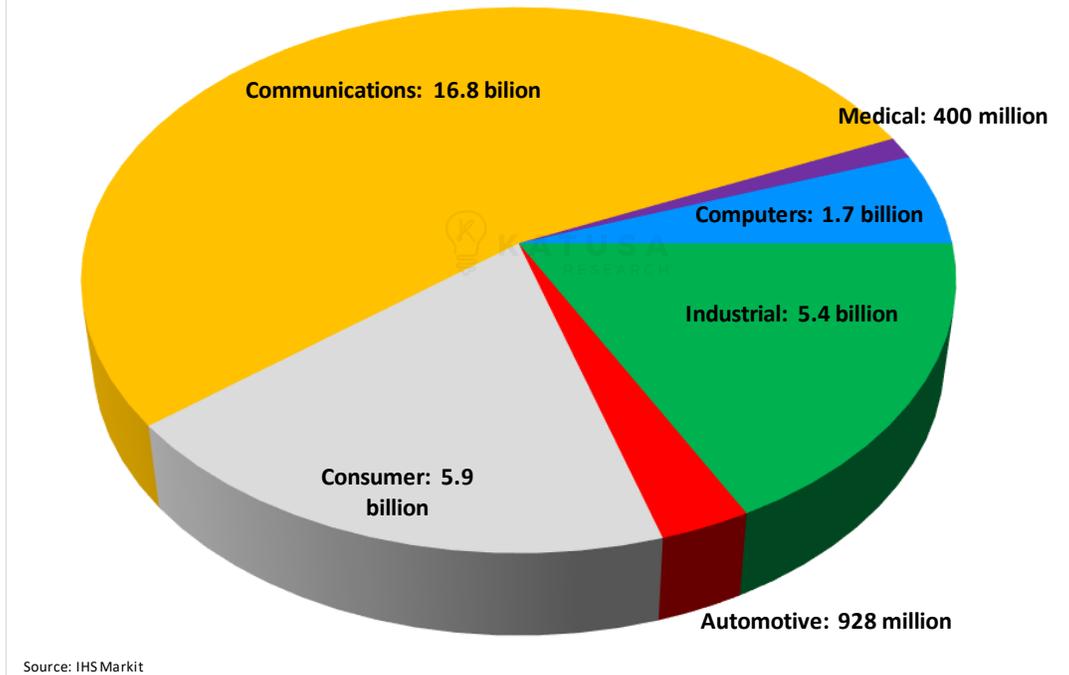
Intel, one of the world's largest technology firms, states that there could be up to 200 billion connected devices by 2020.



These connected devices have the potential to send and receive information on literally anything that can be measured.

In 2018, there were over 30 billion connected devices. Below is a chart which shows what industries are using the IoT (Internet of Things) the most.

Internet of Things: Connected Devices in 2018



The Internet of Things is not just about using products like *Roomba* or a *Google Nest* in your home.

It's about modernizing our entire industrial manufacturing processes. It's about using predictive software to know not only when parts will break but why they break.

Even commercial real estate operating costs will be reduced because of IoT...

Did you know that in the United States alone, 30% of energy consumed in commercial buildings is wasted?

Right there - that's a \$200 billion industry.

I see a big opportunity in the IoT for the data processors.

These are the companies that can take massive quantities of data and process it intelligently into solutions that improve the way society and businesses operate. Software will unlock massive savings.

I know that to some of you, today's technologies may be scary...

Even I must regularly get Katusa Research's full time in-house tech guru, Simon, to help me with issues with my computers on a regular basis.

But the key is to embrace the learning process. Or at least be receptive to it.

The Internet of Things is the real deal and I expect it to disrupt the way many industries operate today.

It's my fiduciary duty to you, the subscriber, to find the best investments for us.

The Internet of Things is Going to Play an Integral Role in How Industries Operate Moving Forward

Company Snapshot – Universal mCloud

Universal mCloud (MCLD.V)			
www.mcloudcorp.com			
Price	Share: CAD\$0.42	MCap: CAD\$60M	As of: 05/27/2019
Shares	SO: 150M	FD: 178M	As of: 05/27/2019
Warrants	UnEx: 25.5M	Price: CAD\$0.45	Exp: 09/30/2020
Options	Open: 2.7M	Price: CAD\$0.35	Exp: 03/31/2022
Cash	CAD\$12M*	Debt: CAD\$10M*	As of: 05/27/2018

*Assumes CAD\$10M convertible debenture

Company Information	Universal mCloud Corp TSX: MCLD OTC: MCLDF Market Capitalization: CAD\$60M Portfolio Type : Investment Guidance : If Accredited: Buy in Private Placement If not accredited: Buy under CAD\$0.375 (\$0.29)	
Balance Sheet & Structure	(CAD\$) Cash: \$12M* Total Debt: \$10M* Dividend: 0.00% Shares Outstanding: 150M (178M fully diluted) Options/Warrants: 28M (Avg. exercise price \$0.44)	
Revenue Segments (CAD\$)	2019 Est.	2020 Est.
Smart Buildings	\$9.7M	\$27M
Wind Turbines	\$0.7M	\$1.6M
Smart Oil & Gas	\$36M	\$44M
Secure Data	\$9M	\$11M
Total Revenue	\$55M	\$83M
Areas of Operations:	Canada, United States, China	
Company Catalysts	Take Smart Oil & Gas business international Smart Buildings: Hit 40,000 connected devices in 2019	

*Assumes \$10M debenture

Who and What is Universal mCloud?

At its core, Universal mCloud (MCLD) is a technology company. It focuses on improving efficiency and optimization of already operating equipment or facilities.

The key assets of Universal mCloud are proprietary computer programs. Think of them as the “super brain” of the business.

These software programs help solve many of the world’s most important issues today, like:

- Curbing energy waste,
- Maximizing power production, and
- Extending the lifespan of critical energy infrastructure.

These programs allow Universal mCloud and its clients the ability to create very precise representations of asset behaviours AND comprehensive 3-dimensional models of any industrial asset or facility.

Think of it as the ability to create an ultra-precise, virtual model of an oil pipeline, petrochemical facility or even a power plant. (And to actual military grade specs — the U.S. military is a client).

Then, sensors which connect to the internet are attached at all key points.

Depending on the size of the asset, there will be hundreds or even thousands of sensors. These sensors send information in real-time to Universal mCloud's software program called **AssetCare**.

AssetCare is the lifeblood of Universal mCloud. This computer program is used across the company's revenue generating segments.

The program contains complex models and formulas which calculate everything from optimized energy consumption settings in commercial buildings to identifying blemishes in fighter jets and wind turbine rotor blades.

On top of the models and formulas it applies Artificial Intelligence and machine learning which can be used to simulate situations and predict future outcomes.

All of these solutions are designed in a highly secured format, safe from hackers using the Microsoft Azure cloud architecture.

AssetCare and the 3-dimensional modeling software work hand in hand to monitor and optimize performance continuously, in real time.

This technology is highly scalable and can be applied to many sectors including commercial real estate, green energy and oil and gas.

People – The Universal mCloud Management Team

Russ McMeekin – Co-Founder, President & CEO

Russ has built and sold multiple businesses within this software solutions sector.

He was a Partner at Energy Knowledge which was acquired by Yokogawa Electric out of Japan. While at Yokogawa he led the acquisition of Yokogawa's now primary revenue drive KBC Technologies.

Russ also worked for over a decade at Honeywell, where he was President of the Hi-Spec Software Solutions division. This division developed complex models and

processes to streamline and optimize oil refineries, pulp and paper mills and petrochemical plants. When Russ took over as President of the Hi-Spec Solutions Division it was generating \$40 million in annual revenue. Within 4 years under Russ' leadership, the division generated over \$300 million in annual revenue.

Constantino Lanza: Co-Founder, Chief Growth Officer

Constantino "Tino" Lanza has been heavily involved in the technological solutions sector for many years. Tino is an ex-Exxon Mobil engineer who now focuses his efforts on building high-tech software. He is exceptionally well versed in asset virtualization and developing solutions for the oil and gas and energy sectors.

NOTE: 42% of the stock is held by executives and employees and there is a 3-year hold period on all stock. Russ has a rule—if any employee or executive sells stock, they are fired.

How Does Universal mCloud Make Money?

This is a very integrated business with many moving parts.

We will break down every segment of their operations and cash flows.

REVENUE STREAM #1

Smart Buildings: Making Old Commercial Real Estate More Energy Efficient.

A cornerstone part of Universal mCloud is its Smart Buildings division.

It uses Universal mCloud's AssetCare to improve energy consumption in commercial buildings, shopping malls and airports across North America and China.

Most of the buildings we work in today (my office included) are over ten years old and were built long before thermostats or Heating, Ventilation and Air Conditioning (HVAC) units could connect to the internet. Most office thermostats look like mine, shown below.



Like most things that are old, they're inefficient when compared to modern equivalents.

Office towers and shopping malls are no different...

In the United States, up to 30% of energy used to heat, cool or ventilate older buildings is wasted. While it may sound boring, it's a \$57 billion dollar a year opportunity.

Electricity prices change throughout the course of the day, based on demand. Want to run your dishwasher at 6pm? It's going to cost you more than if you ran it at 2am.

At peak energy demand times, consumers pay peak pricing.

As an individual consumer, if you strategically use appliances at non-peak times, you'll save yourself a bundle. This is easy enough to do as a single household but trying to manage electricity consumption at a place like an airport or a shopping mall is a completely different situation.

Managing air flow and temperature through large buildings is both science and art. Most large commercial buildings will have 3 or 4 HVAC units, if not more. The more HVAC units there are, the more important it is to optimize electricity consumption.

Let's use a small strip mall as an example. The strip mall has 4 HVAC units which supply and circulate air throughout the building.

Universal mCloud's Smart Building technology accomplishes 2 main goals.

Goal number one: Monitor and collect data from each of the 4 HVAC units within the strip mall.

Through its AssetCare platform, Universal mCloud monitors the health and electricity consumption of Heating Ventilation Air Conditioning (HVAC) units 24 hours per day. It identifies any issues with the current HVAC systems.

Goal number two: Optimize electricity consumption.

From the monitoring process, Universal mCloud collects a plethora of data.

From this data, Universal mCloud's proprietary software identify and optimize HVAC energy consumption. Commonly, some of the HVAC units will consume more electricity than required.

Through mCloud's software programs, it will identify the optimal load balance between the 4 HVAC units. These software programs will build robust predictive forecasts based on the data gathered during the monitoring process to optimize the electricity consumption.

Optimizing electricity consumption can reduce electric bills by up to 20%.

A major client of Universal mCloud is Bank of America.

Bank of America utilizes mCloud's Smart Building technology across 3,300 locations. Each location has approximately 4 HVAC units. Each unit connected is charged a monthly subscription fee. Universal mCloud's Smart Building technology has saved Bank of America 12% in electricity costs.

- Universal mCloud has also struck a deal with Cinemark, a major movie theatre company which is currently rolling out the technology to its 600+ locations.
- You can also find Universal mCloud's Smart Building technology in Starbucks, Dairy Queen and Tim Hortons.

Thus far, every corporation that has tried the product has planned to implement the services throughout all of their locations where the electricity cost is above USD\$0.11/kWh (which are most of the high population states in the USA and Ontario in Canada). I hope you read this statement and questioned it.

We reconfirmed this with Universal mCloud management twice.

It's very rare that companies such as Bank of America, Starbucks, Tim Hortons, Cinemark, would partner up with a company like Universal mCloud, unless there were considerable savings.

mCloud in China

Universal mCloud partnered with a Chinese group called SCN which is one of the largest commercial building contractors in the country.

SCN will be rolling out the technology to improve energy consumption in their malls. Electricity rates in China have increased by 17% in the past decade, so any way to reduce energy costs will be a focal point in the commercial real estate market.

The key to the Smart Building business is targeting new clients in areas with high electricity costs. The higher the electricity costs, the more opportunity there is for savings. Anywhere that has energy prices higher than 11 cents per kilowatt hour, is a priority target. In the United States, over 30 states have electricity prices higher than 11 cents per kilowatt hour.

One sector I have talked to Russ about exploring is the cannabis sector. Growing cannabis requires enormous quantities of electricity along with dedicated HVAC units. This is a large, well-capitalized sector that is rapidly expanding. It is a perfect target market for Universal mCloud.

Russ, the CEO of the company, expects to grow the number of connected assets from 28,000 at the end of 2018 to 40,000 by the end of 2019 and to 75,000 by the end of 2020.

The average fee charged per unit is around CAD\$60 per month. This means revenue is expected to grow from CAD\$3.2 million in 2018 to CAD\$26 million by 2020 for this division of the business.

REVENUE STREAM #2

Optimizing Fighter Jet Surfaces & Wind Turbine Blades

Whether it's fighter jets or wind turbines, damage assessment is critical.

Traditional forms of damage assessment commonly involve manual labor and cannot identify precise micro blemishes which greatly reduce aerodynamic performance. This is time intensive, prone to human error and expensive.

Since 2007, Universal mCloud has been a key supplier of damage assessment technology to the United States Department of Defense. Universal mCloud provides support for the F-35 and F-22 fighter jets. Landing a defense contract is a huge vote of confidence for the company. It's safe to say they'd have done a thorough background check and clearly like the technology Universal mCloud brings.

In the United States alone, there are over 57,000 wind turbines. And each turbine needs a dedicated maintenance program.

Wind turbines consistently need to be monitored for rotor imbalances along with nicks or scratches. Anything that goes unnoticed means less energy generated by the turbines. This means less electricity produced and subsequently less revenue for the wind farm.

The wind turbine business is something I and long-term subscribers know a lot about through our investment in Ross Beaty's Alterra Power which was acquired by Innergex.

Universal mCloud uses small unmanned aerial vehicles called drones to monitor wind turbines.

The normal course of maintenance involves sending a team of technicians out into the field to manually inspect the turbines.

It takes a team of 4 or 5 field technicians a week to manually inspect a 200MW wind farm (about average for today's fields). The going rate for those field techs will be at least a few hundred dollars per day per technician.

- **Universal mCloud's drone fleet can get the entire program done in the span of a single day.**

As the wind power sector continues to expand, more and more wind farms will be moved into offshore waters. This makes even more sense to use drone and remote monitoring for inspection programs.

Maintenance is only one part of Universal mCloud's turbine program.

The second key feature is its 24 hours a day, 365 days a year monitoring package.

Consistent monitoring of the entire wind farm allows the operators to identify areas of improvement, solve the problem and maximize electricity production. Wind operators without monitoring devices may know they are producing less electricity than they should be. But they won't know why. Universal mCloud solves this "why" question.

I plan to introduce the Universal mCloud team to Ross Beaty and the Innergex Renewables team to help Innergex out with its wind power facilities.

REVENUE STREAM #3

Smart Oil & Gas: Maximizing Productivity and Efficiency

For years, I have said the oil and gas sector would continue to innovate its way out of any problem that arises. It's always innovation through necessity in the oil patch.

Universal mCloud's management may understand this more than just about anyone else.

While at Honeywell, both Russ and Constantino managed the relationship between the Hi-Spec Software Solutions group and Exxon Mobil, BP, Aramco and Sinopec. Russ was based in Asia and was an active member of the Honeywell-Sinopec Joint-Venture, which was formed in 1993. Russ remained involved for almost 7 years with this massive growth activity.

We have seen snippets of “smart” technologies in the oil and gas sector. Things like instruments to help drillers monitor and complete the fracking of a horizontal well is one area that has seen significant growth in technological advancement.

Autopro Acquisition

Universal mCloud’s acquisition of **Autopro** has the potential to be incredibly disruptive to how oil and gas companies complete their maintenance and upgrade procedures.

Autopro’s business brings 30 years of customer relationships in Canadian oil and gas. Autopro has been a steadily growing, profitable business. The business generates between CAD\$2.5 and CAD\$3 million in revenue every month from a base of customers and contracts that have been +80% repeat for the last 3+ years.

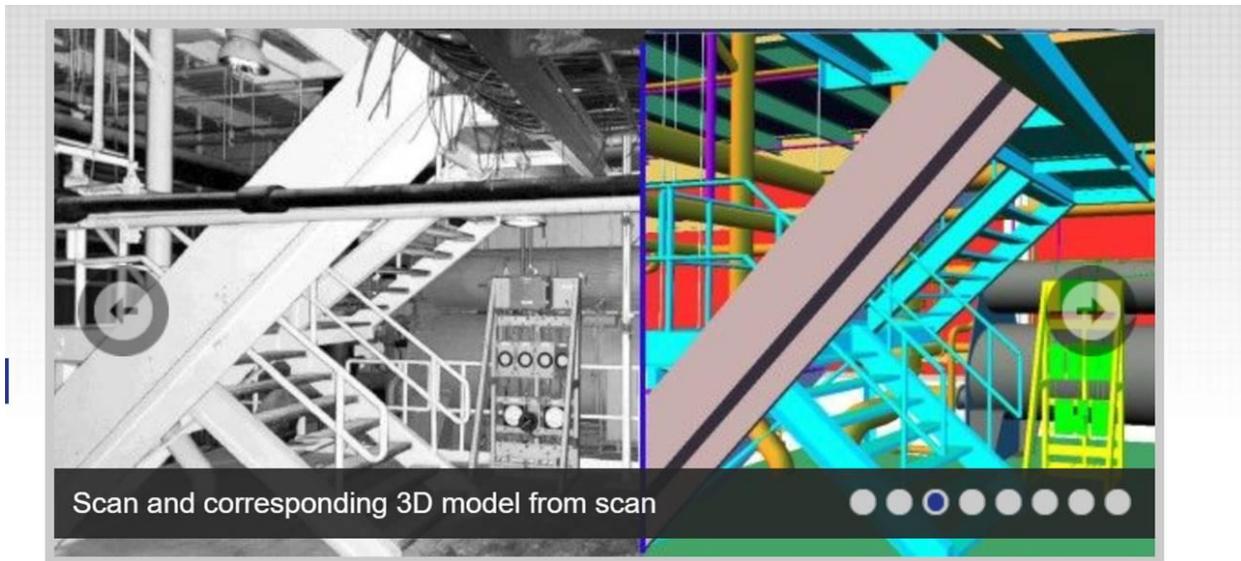
In 2019, the business will generate over CAD\$30 million in revenue. The goal is to onboard the customer base. Then upsell these customers on value added services (eventually a renewing subscription based model) provided by Universal mCloud’s AssetCare program.

Outside the last 5 years, the concept of creating a virtual, ultra-precise, 3-dimensional model of an asset like a pipeline or processing facility was science fiction. Universal mCloud takes this to the next level.

Universal mCloud does more than just create a precise model...

It can run simulations on the 3-D model, using different variables, to predict when and where issues will arise. This will revolutionize how and when preventative maintenance is completed.

Below is a screenshot taken of the 3-D model created through Universal mCloud’s proprietary software solution.



In a petrochemical plant or oil refinery, there are thousands of sensors. Keeping track of all those on a sheet of paper is next to impossible.

Universal mCloud solves this dilemma in 2 steps:

Step 1: Create a virtual 3-dimensional model.

A visual 3D model of the plant solves this problem. It's immediately understandable and navigable by everyone. The ability to selectively view assets or any part of a system from any angle within a model is not something that can be done onsite or using photography.

Step 2: Attach internet connected sensors at key points within the facility.

These sensors will change color based on performance and can monitor anything from flow rates to harmful chemicals.

Step 3: Combine the 3-D model with the data from the sensors.

Now you have a virtual 3-D representation of the facility. And it updates in real-time. Best of all, you can monitor it anywhere in the world.

We all know the Canadian oil sector is in the dumpster these days. There's minimal new construction activity happening.

The great thing about the combination of AssetCare and Autopro is that it focuses on optimizing existing infrastructure and assets, not new builds.

In a bad market, businesses are going to look for ways to increase efficiency in existing assets while cutting costs where they can. Universal mCloud can play a major role in this decision making.

The major revenue driver for the oil and gas business is to expand internationally. There's not enough growth in Canada to support the business in the long term.

To make the Smart Oil & Gas business a real success, Russ knows he has to take the business international. He is bringing on a team of former Honeywell Texas-based experts immediately. They already have a solid ExxonMobil, Shell and ConocoPhillips pipeline they intend to immediately pursue and convert into mCloud customers.

Through his time at Honeywell and Yokogawa, Russ built significant relationships in Australia and in Saudi Arabia.

He believes he can lever these relationships into new revenue for Universal mCloud. Exxon Mobil has a very large presence in Australia in both natural gas production and processing.

Russ worked closely with Exxon on these natural gas projects for 4 years. He was also very active with a number of very large LNG projects in East Malaysia with Shell and Petronas, West Australia with Woodside as well as Qatar LNG. While at Honeywell, Russ made 36 trips to Saudi Arabia. There he helped Saudi Aramco with their central control room and distributed asset optimization program. Expect business growth from the Middle East that plans on modernizing their existing production facilities.

Another near-term potential target sector is the offshore oil sector.

A modern offshore oil platform has over 30,000 sensors on it. But less than 1% of the data generated is used to make a decision. And a majority of the predictable maintenance issues require data from multiple components to be combined and analyzed. Applying Universal mCloud's AssetCare and predictive maintenance could be very beneficial to offshore oil operators.

Russ and I discussed the opportunity to capitalize on the water services sector within the oil and gas sector. It's a little-known fact that for every barrel of oil that comes out of the ground, 5 barrels of water come out as well.

Oil pipelines make the news all the time, but wastewater pipelines and purification systems do not. This is a major opportunity to capitalize on a hot sector of the market that will only grow as unconventional production (that requires a lot of water) continues to grow.

If Russ can lock down these companies as clients, it would be a huge win for shareholders.

REVENUE STREAM #4

Secure Communications

Universal mCloud also provides secure, carrier-grade links for voice and video communication to workers in the field.

Current customers include household names like AT&T, Softbank and NTT.

Gone are the days of having to flip through a repair manual. The new trend will be wearable devices that provide digital versions of manuals, instructions and real time video/audio maintenance assistance.

The end goal for Universal mCloud is to provide the user with the 3-D model created by mCloud's AssetCare to help solve problems.

Sometimes, out in the field, the issue maybe hidden or difficult to get to. With the 3-D visualization provided within head-mounted display, the worker will quickly be able to identify the source of the issue.

Currently, this business generates revenues of \$8 to \$9 million per year for Universal mCloud. Russ believes this business can grow into a \$20+ million per year business over the next 3 years.

Universal mCloud Valuation: Big Data & Big Potential

The first key to this investment is modeling the cash flows generated by each of the major revenue streams.

- **The goal is to make sure that in the very worst case, the interest on the convertible debenture can be paid every quarter.**

Under the basic assumption, we are going to assume the business does not grow at all. I believe it will, but this will serve as a base case situation.

The table below shows 1 year's worth of quarterly revenue, costs and interest payments. This is in a zero-growth environment, meaning revenue stays the same each quarter. It assumes that Universal mCloud does not sign any new clients under any of its revenue generating segments. Under this scenario, Universal mCloud will be able to cover their interest payment through cash generated quarterly from business operations.

Base Case 0% Revenue Growth: Pro-Forma Autopro Acquisition				
Revenue Segment	Apr '19 - Jun '19	Jul '19 - Sept '19	Oct '19 - Dec '19	Jan '20 - Mar '20
Autopro	\$8,384,417	\$8,384,417	\$8,384,417	\$8,384,417
Smart Buildings	\$1,260,000	\$1,260,000	\$1,260,000	\$1,260,000
Turbines	\$117,000	\$117,000	\$117,000	\$117,000
Secure Data	\$2,100,000	\$2,100,000	\$2,100,000	\$2,100,000
Total Revenue (CAD\$)	\$11,861,417	\$11,861,417	\$11,861,417	\$11,861,417
Cost of Goods Sold	\$11,296,643	\$11,296,643	\$11,296,643	\$11,296,643
EBITDA	\$564,774	\$564,774	\$564,774	\$564,774
Interest Payment	-\$250,000	-\$250,000	-\$250,000	-\$250,000
Pre-Tax Cash Flow	\$314,774	\$314,774	\$314,774	\$314,774

The interest payments in the table are based on a CAD\$10M debenture.

Russ believes they will get to 40,000 connected devices by the end of the year. I expect most of that growth will be in the Smart Building segment rather than the wind turbine business.

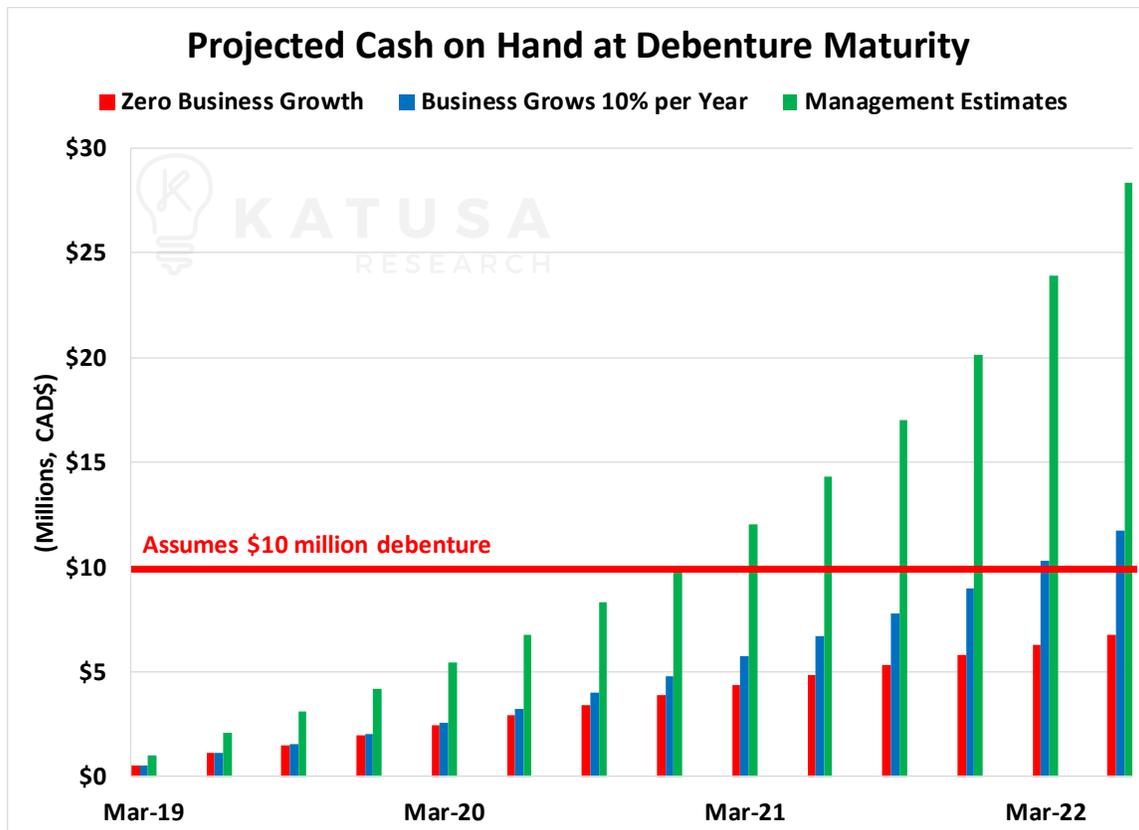
Let's use that 40,000 connected devices as a benchmark for a further stress test. I'm going to assume Russ can hit his numbers but let's see how the business performs if he must cut his pricing in order to remain competitive. I have also assumed the Autopro business does not grow this year.

The table below shows the ability of Universal mCloud to cover its interest payments under negative pricing environments. This test also assumes that even though revenue declines, employee headcount and salaries don't change. It's as stringent as it gets.

(All figures CAD\$)				
Quarterly Stress Test Analysis				
Revenue Growth	EBITDA (40k Devices)	Interest Payment	Coverage Ratio	Interest Payment Coverage
0%	\$928,000	\$250,000	3.7x	Yes
-5%	\$800,000	\$250,000	3.2x	Yes
-10%	\$671,000	\$250,000	2.7x	Yes
-15%	\$543,000	\$250,000	2.2x	Yes
-20%	\$400,000	\$250,000	1.6x	Yes

The next step in debt analysis is answering the question "Can the company repay the loan with free cash flow, or will it have to raise equity to repay the loan?"

The chart below shows the quarterly increases in cash on hand, based on the 3 different growth scenarios (zero, medium, aggressive).



In a zero-revenue growth scenario, assuming basic tax rates and capital programs, the company will have approximately CAD\$6.7 million in cash on hand by the time the debenture matures. Thus the company will either have to raise equity or some debt to pay off the debentures.

Assuming 10% annual growth in each revenue segment, the company will have CAD\$11.7 million in cumulative free cash flow, and should be able to pay off the debenture from cash flow—but realistically will probably raise equity and or new debt.

Using management’s guidance, the company will generate close to CAD\$30 million cumulative free cash flow.

If it grows slower than 10%, it will need to issue equity to pay us back.

How does Universal mCloud Stack Up: A Peer Comparison

Like in most businesses, the more of the vertical you control, the better off your company is going to be in the long run.

Think of it like being a one-stop shop, like a Walmart or Costco. In that store you can buy fruits and vegetables, meat, bread, diapers, the newspaper – you name it, it’s there.

The same goes for the Internet of Things technology companies. Many of the companies within the peer group perform one aspect of the business well. And either do other aspects poorly or not at all.

In the short term some companies may be ok with having multiple platforms to manage their operations, but that's not truly efficient, which is the actual goal of IoT in the first place. A major company like Exxon wants to deal with one company for its entire slate of Internet of Things solutions.

Below you'll see a list of companies that Universal mCloud competes against in the Internet of Things (IoT) space. You'll also notice that Universal mCloud is the only company with less than a \$1 billion market capitalization that has a foot in each IoT segment.

In the next table, we have condensed an incredible amount of peer group competitors to show how Universal mCloud (MCLD) stacks up against the competition.

Company	Market Cap	3-D Models	Secure Cloud	PLM	Predictive	AI	Drone/Mobile
AspenTech	\$8 billion	●	●	●	●	●	●
Honeywell	\$123 billion	●	●	●	●	●	●
OSIsoft	Private	●	●	●	●	●	●
PTC Inc	\$10 billion	●	●	●	●	●	●
Bsquare	\$25 million	●	●	●	●	●	●
BuildingIQ	\$10 million	●	●	●	●	●	●
B-Scada	Private	●	●	●	●	●	●
Aras	Private	●	●	●	●	●	●
Universal mCloud	\$41 million	●	●	●	●	●	●

(All figures USD)

● Full Capability ● Partial Capability ● No Capability

Going through the due diligence process was surprising in how few companies there were competing for market share with Universal mCloud.

PTC Inc is arguably the closest peer to Universal mCloud. The company has been around since 1985 and was the first into 3-D modeling and using the internet to send and receive sensor signals.

Like mCloud, the company has a full slate of robust, predictive software solutions which it applies to its 3-D models. PTC Inc has a market capitalization of \$10 billion, Universal mCloud has a market capitalization of just \$55 million.

For what it's worth, PTC expects its Internet of Things and Augmented Reality divisions to grow at 35% and 100% respectively this year. Make no mistake, this sector has massive growth potential.

What is noteworthy is that many companies can monitor assets through their PLM (Product Life Management) software solutions. But few have artificial intelligence platforms to build out strong predictive forecasts for maintenance planning and optimization. In our view this is a key component for the future of IoT and is a core reason why we believe in Universal mCloud.

Taking this a step further, let's examine the valuations that Universal mCloud's peers are trading at.

Remember, this is a convertible debenture. That means we have the option to convert to a common share at CAD\$0.50 with a full warrant at CAD\$0.75. So, it's in our ultimate best interest that the company be more valuable than CAD\$0.50 per share.

Below is a table of Universal mCloud's peers.

Universal mCloud Peer Group													
(All figures millions USD)													
Company	Mkt Cap	EV	Cash	Debt	Revenue	EBITDA	Cash from Ops	Net Income	P/E	P/CFO	EV/EBITDA	P/S	
Honeywell	\$124,427	\$130,051	\$10,684	\$16,112	\$40,294	\$8,731	\$6,432	\$6,736	18.5x	19.3x	14.9x	3.1x	
PTC Inc	\$10,321	\$10,709	\$350	\$738	\$1,252	\$185	\$273	\$52	198.5x	37.8x	57.9x	8.2x	
AspenTech	\$8,115	\$8,270	\$65	\$220	\$529	\$230	\$232	\$197	41.2x	35.0x	36.0x	15.4x	
Bsquare	\$25	\$9	\$16	\$0	\$73	-\$10	-\$7	-\$14	N/A	N/A	N/A	0.3x	
BuildingIQ	\$10	\$10	\$1	\$1	\$6	-\$2	-\$4	-\$3	N/A	N/A	N/A	1.8x	
									Peer Average Multiples	86.1x	30.7x	36.2x	5.8x
OSisoft									Private Company				
B-Scada									Private Company				
Aras									Private Company				
Universal mCloud (2019 Estimates)*	\$46	\$46	\$7	\$7	\$45	\$3	\$2	-\$1	N/A	22.0x	14.3x	1.01x	
Universal mCloud (2020 Estimates)*					\$83	\$5	\$3	-\$1	N/A	14.8x	9.5x	0.55x	

*assumes close of AutoPro acquisition

Universal mCloud trades at a discount on an EV/EBITDA and Price/Sales (P/S) basis, while it trades at premiums on other metrics like Price/Earnings (P/E) and Price/Cash Flow (P/CFO).

However, those ratios are for 2019.

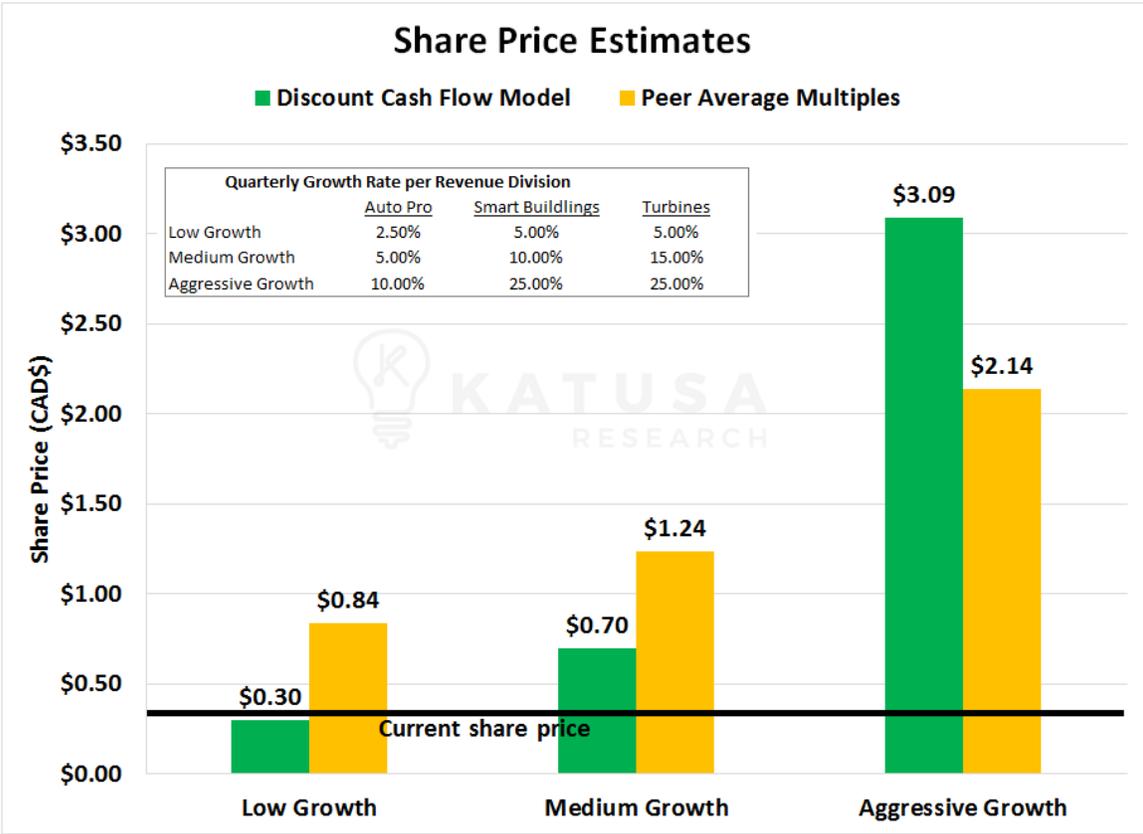
If you look at 2020, Universal mCloud is very undervalued.

We are the first to publish on Universal mCloud. There is no institutional following yet. The current acquisition of Autopro is complicated and the market doesn't fully understand the details.

That's an opportunity for us.

The market is clearly not aware of this unique investment. There is substantial potential for growth in Universal mCloud's valuation. This presents fantastic upside for us.

Below is a chart which shows 3 target prices for Universal mCloud, each using a different growth rate (low, medium, aggressive). Each target price is derived from a discount cash flow model, using after-tax free cash flow and a 15% weighted average cost of capital, and a long-term growth rate of 3%.



Let's say Universal mCloud gets to a share price of CAD\$0.75 in the next 18 months. This is reasonable given its potential growth trajectory.

Assuming you invested \$25,000 into the convertible offering...

You would earn \$3,750 from interest payments (10% coupon) over 18 months.

On top of that, if you exercised your option to convert your debt into shares of Universal mCloud at CAD\$0.50 you would earn an additional 50% on your money.

Plus, you still get a full warrant exercisable at a CAD\$0.75 per share for another 3.5 years using an 18 month time frame in this example.

- The structure of this convertible debenture is the best terms on a debenture I have ever seen.

We have the safety net of being a debt holder (getting paid interest). All the while getting full participation in the upside of the company through the conversion to equity. Plus a full warrant.

Key Company Catalysts

From a 30,000 foot perspective, the Internet 2.0 and associated “Internet of Things” is becoming mainstream and will be going full throttle in 5 years. Universal mCloud is poised to capitalize on this opportunity.

In the banking sector it’s all about “*Assets under Management*” or AUM. The more money you control the more power you have.

In the Internet 2.0, it’s going to be about data and who controls it.

I think you’ll see the term “Connected Assets Under Management” start to get thrown around. The companies with the most data will win and those without it will get left behind.

I believe Universal mCloud will close the convertible debenture offering, which means it will fully acquire the Autopro business. With that completed, Russ and his team need to focus on growth. Russ is confident he will hit 40,000 connected assets this year. If he can do this, the business will generate CAD\$900,000 in EBITDA per quarter. That more than keeps the company afloat and pays the interest payments.

I want to see Russ show signs of entering the U.S., Australia and Middle East oil and gas markets. I want to see him lever those previous relationships at Honeywell and Yokogawa into meaningful cash flow for the company.

In addition, I have encouraged Russ to think about a dual listing on the tech heavy Nasdaq exchange in the United States alongside a TSX listing. This would bring a lot of new potential investors into the story.

Universal mCloud is cheap compared to its peers, and I suspect the company will be bought out in 3-5 years. Suitors would be IBM, GE, PTC or Honeywell.

I am very excited about the prospects of this company.

Investment Recommendation:

If you are an accredited investor, buy the convertible debenture via the private placement.

If you are not accredited, you can still buy shares in the company. Buy **Universal mCloud (MCLD:TSXV)** in the open market under CAD\$0.40 per share.

If you wish to purchase shares in U.S. currency you can buy shares via the US OTC listing. The symbol is '**MCLDF**', buy under \$0.30 per share.

The company will list on the Nasdaq in due time, which will be more liquid. Until then be careful if you are buying shares on the OTC and don't chase the stock as market makers try to play spreads on retail buyers.

Company Q&A

We asked CEO Russ McMeekin to answer the most pressing questions we thought our subscribers would have...

Katusa Research: How do you compete against your peers, all of whom are much bigger than you?

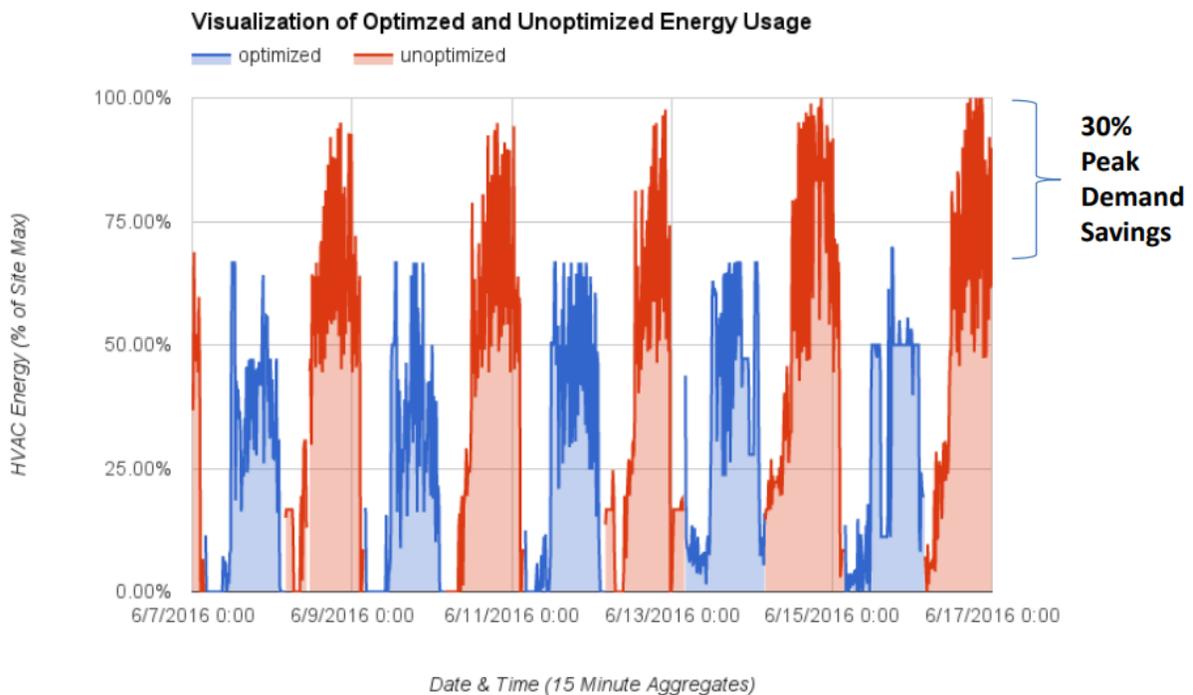
Russ McMeekin: At a high level, we compete with simplicity for customer to adopt to the idea of a unique dedicated solution to their asset with no or very low upfront hardware purchase needs (often just lumped into the multi-year contract subscription). From there, our data interpretation uses AI to extrapolate patterns from which models are derived. Our peers go about it the other way around, by using 1 model and fitting the company's data to match the models. In short, mCloud's solution is a dedicated unique solution for every asset, whereas the peers do not do that. Also, we are fully secured on the cloud, few of our peers are on that level now. Most of our peers require an Enterprise Server and/or expansive VPN access.

Katusa Research: Your partner, Tino ran a company called Inovx Solutions – how does that company stack up to Universal mCloud, are they a competitor?

Russ McMeekin: Inovx is a 3D software company like one of our services (CSA) but an older generation. The Saudi Royal family bought it out but has not advanced the technology since.

Katusa Research: Everyone claims to have the “secret sauce” when it comes to IoT. What prevents the market from saying that all you’re doing is hooking up IoT devices to HVACs and that there is no real value add to the client.

Russ McMeekin: Our Artificial Intelligence within the AssetCare platform is the differentiator. Let’s use one of our clients, who owns a McDonald’s, as a case study. Our Model Predictive Control (MPC) learns relations between zone temperatures and each unit’s cooling on/off command signals. It determines the best cooling operation to achieve set points while minimizing energy cost. It’s automatic and updates every 10 minutes. Below is a graph which shows the optimized vs normal unoptimized energy consumption in a McDonald’s over the span of several days. You’ll see that with our IoT + AI solution, the company is using 30% less energy.



Katusa Research: Drones are already used for many inspections such as wind turbines. The market is flooded with companies that claim they can or will do this. How and why are you unique and better?

Russ McMeekin: Again, our AI is our key differentiator. AssetCare creates a 3D digital twin of the turbine and then with Artificial Intelligence and machine learning it auto assesses the condition of the turbine. Also, field maintainers can use a mobile version of AssetCare on a pair of RealWare headsets to help fix the asset. Our AI surface assessment technology can provide micro precision to <4mm. This is the level of precision from our technology as used on the F-22 and F-35 Stealth Fighter Jet. This precision allows us to discover decay on blades that will cause friction and suboptimal

power generation. No other competitor has such precision and meets military grade specs.

Note: Because I have spent the last three weeks on the road, I wasn't able to do a Katusa studio interview with Russ. We will do that for the July issue of the KRO. Again, if you're interested in the convertible debt offering, read the full report and if you like the concept, call:

NOTE: AS OF JUNE 24TH 2019, THE MCLD FINANCING IS CLOSED

New Additions to the KRO Portfolio

Addition #1: Pan American Silver (PAAS.TO, Nasdaq: PAAS)

Pan American Silver Corp (Nasdaq: PAAS)			
www.panamericansilver.com			
Price	Share: \$10.51	MCap: \$2.2B	As of: 05/14/2019
Shares	SO: 209M	FD: 211M	As of: 03/31/2019
Warrants	UnEx: N/A	Price: N/A	Exp: N/A
Options	Open: 1.5M	Price: \$12.80	Exp: 06/30/2021
Cash	\$90M	Cash Debt: \$363M	As of: 03/31/2019

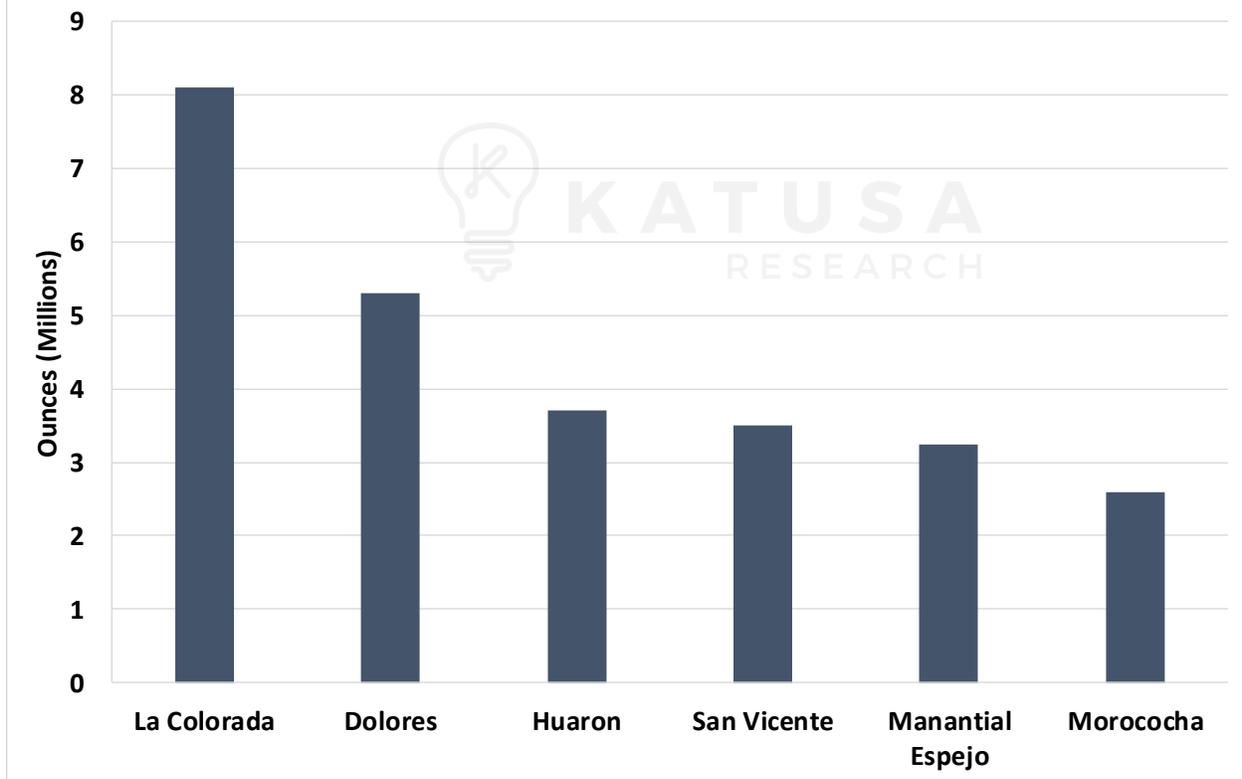
It took five months of alligator patience to buy our first tranche of Pan American Silver. Pan American Silver was a recommendation in the December 2018 edition of the KRO.

Initial guidance was buy first tranche under CAD\$15.60 per share on the TSX or buy under \$12 per share on the Nasdaq. During the month of May, shares traded below \$14 (\$10.50).

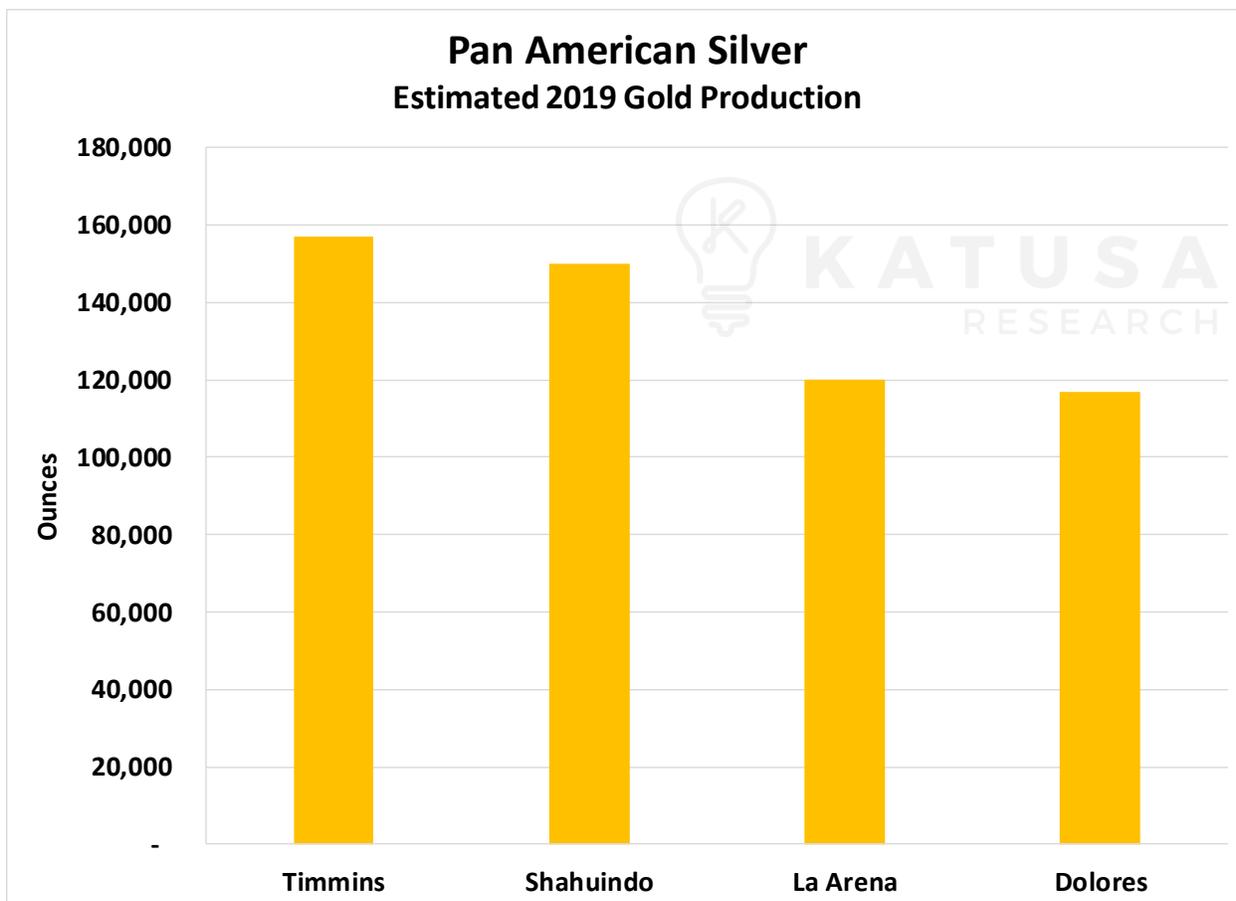
In 2019, Pan American Silver will produce 27 million ounces of silver and close to 600,000 ounces of gold.

For a quick refresh on the company's production, below you'll see the production estimates for 2019. The first chart below shows Pan American's silver production.

Pan American Silver Estimated 2019 Silver Production



The next charts shows its gold production...



The Timmins gold mine is the only asset in Canada. So in my mind it's a bit of an outlier.

Even though it's the company's largest producing gold mine, I could see the Pan American team taking advantage of the Commonwealth Takeover and divesting the asset.

Based on current reserves, the mine can produce 157,000 ounces of gold annually for at least 5 years. Using current production costs and a \$1,300 gold prices, the after-tax Net Present Value of the Timmins mine is equal to \$150 million.

Ross Beaty and the team at Pan American are so smart and savvy, that I wouldn't bet against them essentially selling the Timmins gold assets to either Kirkland Lake or an Australian gold company and essentially getting the Escobal silver mine for free. This confidential and copyrighted document not to be distributed was printed for the sole use of Marin Svorinic on June 11, 2019

6/11/2019 Getting Paid to Wait for the Right Speculation - Katusa Research

<https://subscribers.katusaresearch.com/reports/getting-paid-to-wait-for-the-right-speculation/41/49>

Again, if you need a refresh on the company, please see the link to the 2018 December KRO.

Addition #2: B2Gold Corp (BTO.TO, NYSE: BTG)

B2Gold Corp (BTO.TO) www.b2gold.com			
Price	Share: CAD\$3.40	MCap: CAD\$3.4B	As of: 05/22/2019
Shares	SO: 1B	FD: 1.01B	As of: 03/31/2019
Warrants	UnEx: N/A	Price: N/A	Exp: N/A
Options	Open: 56M	Price: CAD\$3.03	Exp: N/A
Cash	CAD\$184M	Cash Debt: CAD\$642	As of: 03/31/2019

B2Gold is a speculation which was first introduced in the February 2019 issue of the KRO. Here is a link to the initial company report.

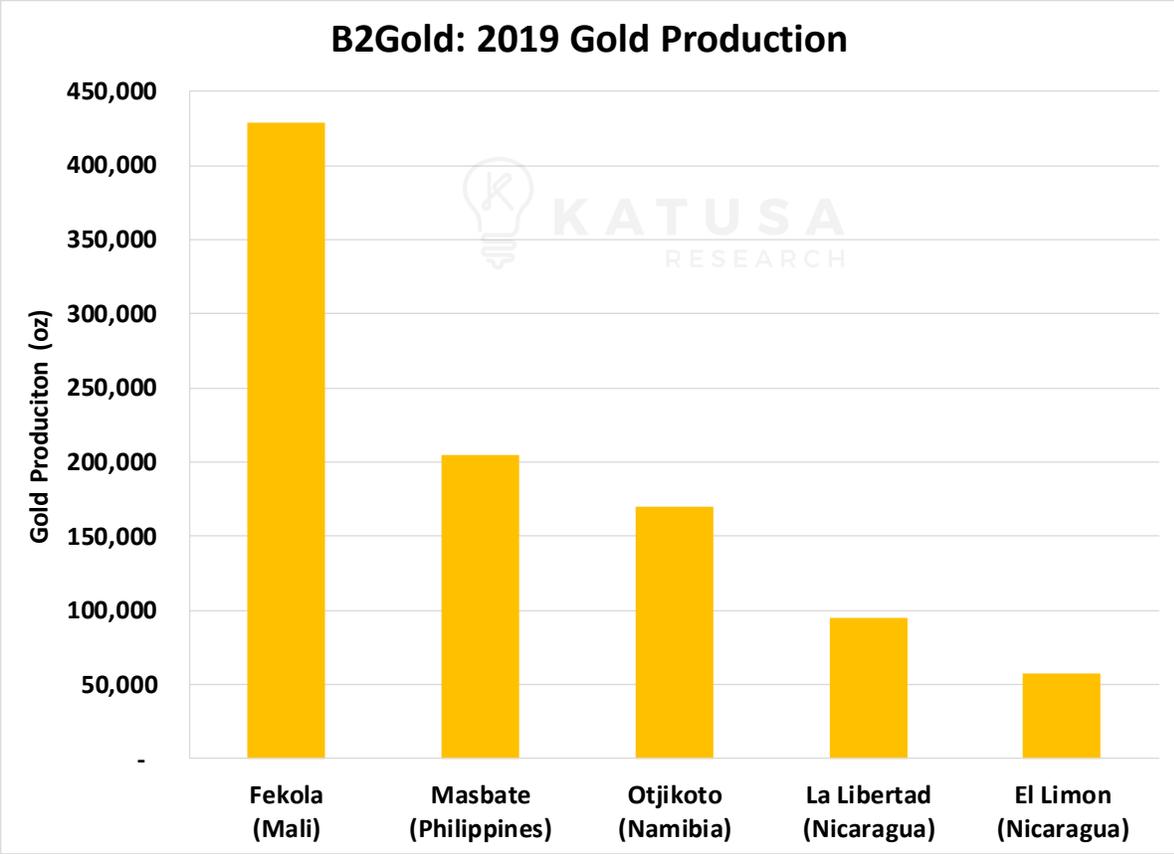
Initial guidance was buy first tranche under CAD\$3.30 (\$2.54) per share. Shares are currently trading below CAD\$3.47 and US\$2.55.

B2Gold is run by super successful mining magnate Clive Johnson.

For a quick refresh, B2Gold will produce over 900,000 ounces of gold this year.

Its flagship asset is the Fekola project in Mali, which produces upwards of 500,000 ounces per year at a cash cost of \$500 per ounce.

Below is a chart which shows the production estimates for each of B2Gold's operating mines.



The first move I expect B2Gold to do is divest its non-core Nicaraguan assets.

With that cash the company can help fund the expansion at Fekola. I believe Fekola is going to be a behemoth gold producer, and one that each major gold producer would love to get its hands on. Barrick Gold already has a mine in Mali, which produces 650,000 ounces.

The company recently made headlines when it stated it was actively pursuing the Shamva gold mine in Zimbabwe. The Shamva mine is owned by a Metallon Corp and is currently idle. The deposit hosts 2.5 million ounces at an average grade of 1.96 grams per tonne. Clive must believe he can reduce production costs significantly, because as is I doubt the mine is profitable. Metallon states cash costs are \$1,085 per ounce. The rumoured deal terms are \$50-\$60 million to Metallon, subject to B2Gold being able to sell the gold to parties aside from the Zimbabwe Central Bank. If B2Gold does close the deal, it expects it would need to invest an additional \$150 million into the operation to get it off the ground.

Full Portfolio Summary and Updates

Summary of the Investment Portfolio (2018-2019)

Asset Class	Value (USD)	Weight (%)	Return (%)
Equity	10,000,000	60.0	15.0
Fixed Income	5,000,000	30.0	5.0
Real Estate	2,000,000	12.0	8.0
Commodities	1,000,000	6.0	10.0
Cash	1,000,000	6.0	2.0
Total	16,000,000	100.0	8.0

Summary of Investment Performance (2018-2019)

Asset Class	Value (USD)	Weight (%)	Return (%)
Equity	10,000,000	60.0	15.0
Fixed Income	5,000,000	30.0	5.0
Real Estate	2,000,000	12.0	8.0
Commodities	1,000,000	6.0	10.0
Cash	1,000,000	6.0	2.0
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