

**Transcript of initial interview with
Mr. Pierre Léveillé**



President & CEO at Deep-South Resources Inc.



**CA: DSM
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GER: DSD**

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Mr. Pierre Léveillé – President and CEO. Mr. Léveillé has over 28 years of experience in the International financial sector and 20 years of experience in the mining exploration industry. Mr. Léveillé has started his career as an Investment Advisor and an Investment Banker with a large Canadian Securities brokerage firm. From the mid 1990's to today, he has been Executive and Director of several exploration companies active in Africa. He has financed and managed exploration projects in Namibia since 1996 including the acquisition and operation of a diamond mine. He has realized over US\$ 75 million in transactions and financing for Namibian and African mining exploration projects.

Smallcaps Investment Research: Welcome everyone and thanks for tuning in to another interview on Smallcaps Investment Research. We're very pleased to have Mr. Pierre Léveillé, the President & CEO of Deep-South Resources, with us today. This is a very exciting time for the Company as it owns a impressive copper project, while demand for the red metal is bound to rise exponentially in the coming years. The Company is listed on the TSX Venture Exchange with ticker symbol DSM and it is also listed in the United States and Germany. Pierre, thanks so much for joining us, welcome.

Pierre Léveillé: Pleased to meet you.

As this is our initial interview, could you give us an introduction of Deep-South Resources and its activities?

Yes, Deep-South holds a large tonnage, low-grade porphyry copper deposit in the south of Namibia, which is called the Haib Project. We are talking about 850 million tonnes of ore, at 0.31% for about 5 billion pounds of copper in the ground. Moreover, copper is present from surface. Thus, there is no overburden. It is easily open pitiable and has a low strip ratio. We also have opportunities to expand the tonnage as well as to improve the grade.

Well, that's excellent. Let's first focus on your flagship property, the Haib project. Can you tell us some more about its history and how you acquired it?

Originally, Deep South was a private Namibian company. In fact, I was the only foreign shareholder in that private company. We applied for the license over the project

and in early 2004 it was awarded to us by the Namibian Minister of Mines. We had to apply for the license as previously it was held by a single person for about 30 years. However, he died and the government took it back and then eventually gave it to us.

From 2004 to 2016, the project was developed in this private company. After that, we decided to list the company to the TSX Venture Exchange and from then on we are a public company.

A few weeks ago a Preliminary Economic Assessment, or PEA, was published for the project. Would you describe some of the highlights of the PEA for us?

In short, it is a very robust PEA. But before I go into more detail, I must explain one thing. When we took over the project, and when we started developing it on our own in 2017, we decided to look at what technology could be used to extract the metal so as to have a low CAPEX and OPEX.

This was crucial as the classical route of extracting metal was too costly and the project would not make sense at copper prices at that time. Today with a copper price of over \$3.50 the situation is different, but at the time the price was lower. Due to this, we carried out some tests on bio-assisted leaching, so-called heap leaching, which gave us good results. We reached up to 96% recovery with a constant recovery of 80 to 82%.

Bio-assisted heap leaching is not a new technology. It has been in use for about 50 years. In the copper space, it is mainly used by the major companies in Chile. This is why it is not extremely well known because the

majors are not publishing a lot about the technologies that they use.

Based on the bio-assisted heap leaching technology, we decided to proceed with an economic assessment, which showed some very robust numbers. At a price of \$3 per pound of copper and at 420 million tonnes per annum throughput, the capex is 340 million US with an operating expense at \$1.34 per pound of copper. This gives us a net present value (NPV) of 957 million US with an net present value (IRR) of 30% after tax.

If we use today's price of copper however, the NPV increases to \$1.3 billion with an after-tax IRR of 42%. This makes the situation very compelling, especially when you look at our market cap of about \$20 million. We think we are very undervalued.

Indeed, very compelling numbers. Although, the results from the PEA are already very impressive, it doesn't end there, as you plan to start a drill program at Haib shortly. What are the goals of this program?

In the center of the deposit, we have uncovered a 140 million ton area, which shows lots of high-grade historical intercepts such as 150 meters at .68% and 50 meters at .91%. It goes like this up to 1.28%. Due to this, we know that there is a high-grade area in the deposit.

The first goal is to infill drill that specific area, to delineate it properly and define a precise average grade. The idea is to have a measured resource over that area. This could eventually have an effect on the whole grade of the project, which is important when we update our 43-101 resource estimation for Haib.

Now, on top of all that, there's also the very realistic potential to expand the resource right?

Yes, the resource has been estimated from surface to 350 meter deep. However, we have some drill holes from the past down to

800 meters and we can still see mineralization. Particularly, we found some very large and long intercepts between 400 meter and 650 meters with a grade of over 0.50%. This means that drilling deeper would probably enable to double the tonnage.

We have also identified four to five satellites around the main body. We have conducted some soil sampling and a little bit of drilling to see what is there. We came up with the same type of mineralization, with the same type of grades. Therefore, we might be able to add more tonnage there as well.

One of those satellites is very large. In fact, it is double the size of the main body, which makes it very exciting. This exploration is not in our short-term plan though, but we know that we have the capacity to increase the tonnage substantially.

At the end of the day, it is already a pretty big deposit. But we believe that we are sitting on a monster.

That's excellent. A final major growth driver is the copper price. Pierre, you have already been involved in the mining industry for many years. So how do you see copper developing in the coming quarters and years?

Difficult to put a price tag on it but it is certainly going to continue to grow. I would not be surprised to see it go over \$4 during 2021, and well over \$4 in the coming years. There are a couple of reasons for that.

First of all, the current copper production of all the big mines in the world is reducing year after year. The resources are depleting and grades are reducing. There are also structural problems in some countries like Chile and Peru where unions want to have better work conditions. This makes it difficult to have a regular flow of solid production. Thus, the global production is going down and there are not enough new projects that will develop into actual mines.

The second reason why there will be a shortage is that demand for copper is

growing faster than the capacity of production. It is growing fast mainly because of the electrification of vehicles. An electric car needs four times more copper than a gasoline car. However, there is also the electrification of buses, trains, boats, and even airplanes. Moreover, you need plenty of charging stations, which also require huge amounts of copper.

In addition, many countries in the world these days focus on improving their infrastructure. In the United States, for example, there will be massive infrastructure projects starting this year. These projects will need a lot of copper.

Thus, we estimate that up to at least 2027 there will be a huge shortage of copper and the price will react and shoot upward. This means that we are in the right business for a certain period of time.

Okay, that's good to know. And Pierre, where would you like the project to be 12 months from now?

In 12 months, we will be through half of our feasibility study on the project. By that time, we would like to have completed at least 10,000 meters of drilling, more metallurgical work with bio-assisted heap leaching, and more high pressure grinding roller (HPGR) tests.

We would also like to test to what extent we can use solar power at the project. Haib is located in a very sunny part of the world with almost 360 days of sun per year. Due to this, solar may be the way to power the project. We just need to assess the economics of the situation.

Now, another part of the beauty of the Haib project, is its excellent infrastructure. Could you give us some more color on that?

The project is situated completely in the south of Namibia, about 25 kilometers from the border with South Africa. It is 15 kilometers from the Orange river that forms the border between the two countries. The

river will supply the water need for the operation. There is also a major commercial road which crosses our area.

Furthermore, there is a low voltage power grid along that road that we can use for the mining camp. The high voltage power grid is about 85 kilometers to the east. At the moment, we have estimated in the PEA that we fully pay to connect to that grid. However, we know that in Namibia, the government will probably be in for 50% of that cost. Of course, if we can use solar power, it could help reduce costs dramatically. We are also not too far away located from the sea, about 300km.

Therefore, in general, we are certainly happy with the infrastructure around the area.

An important aspect of the Haib property is its location in the Republic of Namibia. How would you characterize Namibia and its mining history? And also, would you say that Namibia is a mining-friendly country?

Namibia is a highly friendly mining country. It is one of the best in Africa. Alongside Botswana, it is always ranked number two and three by the World Bank and the IMF as the best African countries to invest in. Number one is still South Africa but that is more because of the size of the economy rather than anything else.

Namibia is extremely quiet and stable. Democracy is well established, and the justice system is completely independent.

Their mining code is transparent. In fact, many mines are active today in Namibia. The largest marine diamond mine, for example, is located in Namibia and operated by De Beers. Namibia also hosts the fifth largest uranium mine in the world, operated by Rio Tinto. There are also plenty of gold, copper, and zinc mines.

In short, there is quite a lot of mining activity and extremely well supported by the government. What is also important to mention in our case is that two of our

directors are prominent, well-known Namibian individuals. In addition, about 15% of our shares are still held by Namibian people.

Also important, the Company will soon be well-capitalized right, as you recently upsized a private placement to \$4.5 million due to significant demand?

Yes, we have just closed that private placement two days ago. We are now sitting on over \$6 million in cash, which makes us well-capitalized. We are happy with this as it will allow us to move forward with our plans.

Okay, that's excellent news. Can you tell us a little bit about yourself and the other key executives of the Company?

I am not a technical guy. My background is in finance. I started my career as a stockbroker and then worked as an investment banker specializing in raising money for exploration companies. I have been the CEO of listed companies since the end of the 90s to today. Most of the projects I have been involved with, were located in Namibia. Thus, I have a quite long experience of operating in Namibia and over the years I became quite good at exploration and geology even if I am not a geologist.

Our chairman, Mr. John Akwenye, is a Namibian retired lawyer. He has been involved in many mining ventures. He was also at one point of his career, the Chairman of the Namibian Airport Corporation. Today he is on the land resettlement committee, he was appointed to this role by the Office of the President.

Our COO, Jean-Luc Roy is an accountant by training, but spent over 30 years of his career managing mines and being a country manager for companies like First Quantum in the Democratic Republic of the Congo (DRC). He has also worked for larger companies like Centamin in Burkina Faso.

Our VP of explorations is Vivian Stuart-Williams a South African, based in Cape

Town. He has 45 years of experience as a geologist all over the world, but mainly in Namibia. He is involved with the Haib copper project since the mid-90s.

Thus, we have assembled an experienced team with deep knowledge of Africa and of the Haib deposit.

And as a final question, what are the two or three most compelling reasons for a long term investor to consider Deep-South Resources today?

The first thing is that we are extremely undervalued. One way to look at it is that we should trade between 5% to 10% of our NPV. If you take the first estimate of \$950 million, this would give us a market capitalisation of roughly between US\$50 and US\$100 million. Yet today we are trading at US\$17 million.

We are also looking to bring more value to the project over time. We will start spending money on the project with drilling, with more metallurgical work, with the HPGR, and eventually with a feasibility study. All of this will bring added value over time. Thus, there is huge upside potential.

We have the right team to develop that project and we are based in the right jurisdiction.

One last thing I want to mention is what one analyst told me last summer. He said, it is very rare to see a project of this magnitude advanced like it is in the hands of an exploration company. In general, major companies own such advanced deposits.

Thus, our stock offers a rare opportunity to participate into a very large deposit that is moving forward.

Fantastic, Pierre, It's been a pleasure speaking with you today. Thank you for sharing your thoughts with us and we'd be more than happy to have you back for an update in the future.

Thank you so much.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<https://smallcaps.us/interview-with-deep-south-resources-ceo-reveals-massive-potential-in-copper-space>

Transcripts are edited for clarity.

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