



May 08, 2024

THE LONG PULL: MOHO Idea Lunch #5 w/ Doc Jones

A big thank you to those who joined live for Wednesday's MOHO Idea Lunch webinar on all things junior mining investing with Doc Jones. I learned so much from Doc Jones, and I hope you did, too.

Make sure you follow him on Twitter [@drjimjonesceo](https://twitter.com/drjimjonesceo).

The webinar had three parts:

- **Part 1:** Doc's background and how he started investing in junior mining/resource stocks.
- **Part 2:** Current examples of Doc Jones's investment strategy (Emeritus Resources and Magna Mining).
- **Part 3:** Junior Mining Lightning Round, in which Doc Jones analyzes two "unknown" junior mining companies (Southern Palladium and Kuya Silver).

Let me know what you think of the format.

Watch the entire webinar [here!](#)

Operator	Emerita Resources	Adriatic Metals	Foran Mining
Enterprise Value	C\$159M	C\$1,295.3M	C\$1,133M
In-Situ Value	C\$6.08B	C\$11.8B	C\$14.5B
EV to In-Situ	2.62%	10.98%	7.81%
Project Name	IBW	Rupice	McIlvenna
Stage	MRE	Commissioning	Feasibility
ZnEq Pounds	3,327M	6,477M	7,960M
Market Cap	C\$164.1M	C\$1,199.4M	C\$1,301M
ZnEq Grade (%)	8.04%	13.92%	8.19%
Indicated Resource	14.07 Mt	18.3 Mt	39.1 Mt
Inferred Resource	4.71 Mt	2.8 Mt	5.0 Mt

Emerita is trading at a **discount** relative to peers when looking at enterprise value to in-situ value. Emerita's EV to in-situ value is 1.58% vs. Adriatic's 8.67% and Foran's 6.84%.

Emerita shows potential upside through project **de-risking** when compared to other late-stage VMS developers. Metallurgical testing and additional exploration is on-going. Initial economic studies are expected in 2024. **IBW** will continue to be **de-risked** and potentially **re-rate**.

Check out my Cliff Notes below ...

Doc Jones's Background & How He Got Into Resource Investing

- He left his MBA program and set up a shop to manage family and friends' money.
- He did that for ~20 years before liquidating the fund and “retiring” from managing other people’s money.
- Started in oil and gas exploration ... was fortunate enough to invest in the super cycle in 2009 ... specifically 2009.
- He bought a lot of Cleveland-Cliffs ... went up 20x in ~19 months.
- He started running his own money at 45 ... which is when he began heavily investing in junior mining.
- One of the first junior mining stocks he bought was T-Mac Resources (\$15/share down to \$0.15/share) ... he put a lot of capital in around \$0.20/share. The stock was later bought out at \$1.72/share.
- In two years, his personal portfolio compounded >25x.

Doc Jones’s Research Process

- “Out of 1,000 junior mining companies, there are probably 20, which may be worth investing in.”
- Avoid opaque markets (specialty metals like cobalt, graphite, rare earths, etc.).
- Focus on large addressable markets (people will always want to buy large gold and copper deposits).
- Google the company to see what comes up (search company name and “fraud”).
- If it passes the geological test and current price, then you take a look at management.
 - Do they have experience and past success
 - Use LinkedIn
- “Even when everything goes well ... your chances of success in exploration are very small.”
- Review the financial statements to see **how much money went into developing the project.**
 - Hurdle: \$0.70 of every \$1 should go into exploration
- Stay up to date on the news with drill results.
- Don’t take anything as gospel ... do your own diligence.
- “I’d go on these message boards and see so much crap, whether positive or negative.”
- How to calculate a resource:

- Length x width x depth x specific gravity
- You are competing with other retail investors ... your edge is information.
- “I look for opportunities of huge scale.”
- Small mines have the same problems as large mines ... but you can’t get big payouts on small mines.
- What is a significant resource:
 - **Gold:** 3Moz at good grade w/ expansion potential and 10YR mine life
 - **Base metals:** 20Mt depending on grade with 20YR+ mine life
- You have to be an optimist as a resource investor
- How you define downside:
 - Discount to in-situ value (ideally <1-2% of enterprise value)

Lightning Round Analysis (KUYAF)

- 100M shares outstanding with warrants
 - “I want to know the strike price on the warrants.”
- Interesting things about warrants
 - You could see non-fundamental selling
 - Company treasury would also be full and they wouldn’t need another financing round.
- Management owns 11%
 - Essential to know how management is paying themselves/general compensation.
 - You want management to own a lot of stock so they don’t dilute shareholders into oblivion.
- Resource Overview
 - Generally, with silver, you want to see 100Moz of silver in a resource
 - They have 14Moz of silver equivalent
 - If they’re producing 1.5Moz of silver per year, that’s a <10YR mine life
 - Metallurgy ... what are the recoveries?
 - Are they planning on building a mill?
 - It could be that their plan is to start production on a small scale and use the cash flow to expand production.
- Cash Flow
 - You want to run your highest grade through the mill **first**.
 - NPV calculation will ascribe the highest value to the nearest cash flows

Lightning Round Analysis (Southern Palladium)

- Large, Tier-1 looking deposit with 30YR mine life
 - Almost 11Moz of PGMs
 - 6Moz of indicated (up the confidence scale)
- In a PEA, you can use an Indicated and Inferred. In a PFS, you can only use Indicated Resources.
 - Inferred: a lot less drill density in between the blocks (i.e., more creativity)
 - Indicated: higher confidence in resource
- Cash costs
 - You want to know the commodity mix in there and the recoveries.
 - Lower recoveries would increase cash costs.
- Solid ore grade of 6.55g/t
- Shallow ore body (which reduces mining costs)
- You should always check the assumptions:
 - NPV discount rate
 - Metal prices
- IRRs can be misleading because they might not include the total resource estimate.

I'll listen to this multiple times to fully absorb all of Doc's teachings. I hope you guys enjoy it.

I can't wait to make the next one!

Until next week.

Your Value Operator,

Brandon