



June 03, 2024

THE LONG PULL: Thoughts on Silver & FOM.V CEO Podcast Notes

It's a slow news week for our portfolio, but that's good. It allows us to step back, take a longer-term market view, and digest new information from some of our portfolio companies (AFM.V and FOM.V).

This week, we discuss:

- Silver's recent price action and how I'm managing our trade
- Recent insider buying in Andean Precious Metals (APM.V)
- Foran Mining CEO Dan Myerson's latest podcast appearance

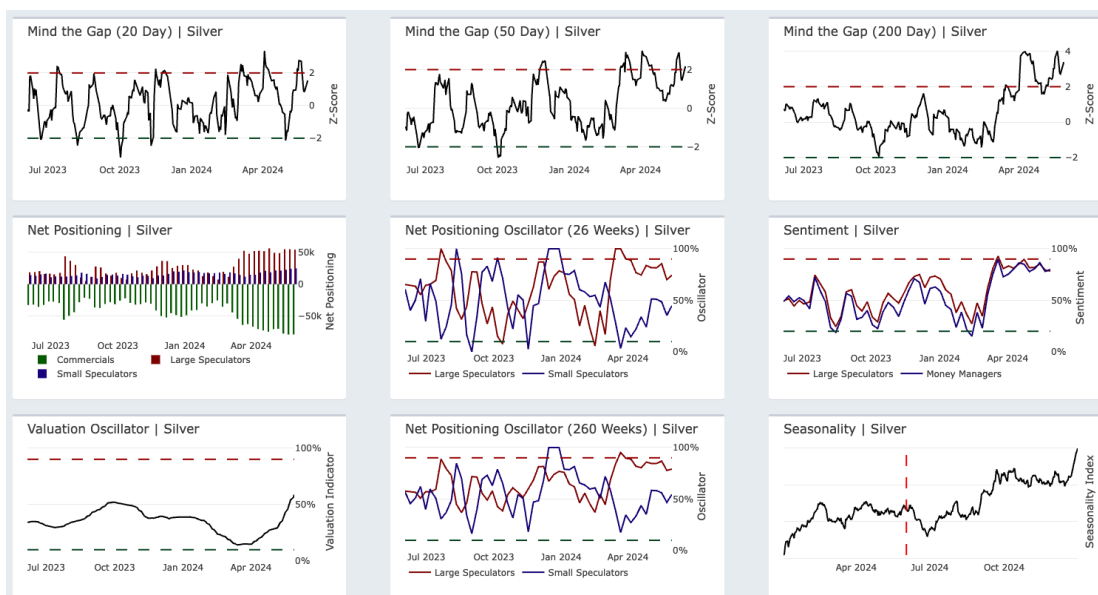
Let's start with silver.

Silver: Short-Term Pain, Long-Term Thesis Still Strong

Silver is down ~10% from recent highs. But if you checked Twitter, you'd think we fell 50%.

The current pullback is a) normal during bull markets and b) expected given CoT and sentiment data.

Here's the latest silver CoT data from the HUD (see below).



A few things stand out ...

- 1) We're in a **bearish seasonality period**, which won't improve until around September.
- 2) **Net positioning is still bearish**, with Large Specs ~80% long (for reference, Large Specs were ~8% long at the most recent bottom around \$18/oz in February 2022).
- 3) **Price action is overextended** on all timeframes, with the 200D price action 3-std above the mean.

Conditions like that make it difficult for an asset to rise, so two things need to happen.

First, we need this pullback to reduce Large Spec long positioning to under 50%.

We then need price action to fade toward prior resistance/current support around ~\$28/oz. This accomplishes two things: It reduces bullish sentiment (which we need for another leg higher) and reduces the price's overextension from its mean.

Check out the silver chart below.



There's **nothing wrong** with this chart. We're in a short-term pullback after a four-year rectangle base breakout.

As a reminder, APM.V management owns over 50% of the company and eats their cooking.

But that's not all. Eric Sprott – yes, [that Eric Sprott](#) – bought \$500K of APM.V stock in the open market with his own money (see below).

Filed 2024-05-27 09:39 Tx date 2024-05-24	\$APM Andean Precious Metals Corp.	Sprott, Eric 3 - 10% Security Holder of Issuer Holder: 2176423 Ontario Ltd. (Indirect Ownership)	Common Shares 10 - Acquisition or disposition in the public market	\$493,550 +500,000 vol \$0.99 each	21,854,738	+
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And APM's newest hire, Michele Ashby, bought \$10,950 worth of stock (see below).

Filed 2024-05-24 09:35 Tx date 2024-05-22	\$APM Andean Precious Metals Corp.	Ashby, Michele 4 - Director of Issuer Direct Ownership	Common Shares 10 - Acquisition or disposition in the public market	\$10,950 +15,000 vol \$0.73 each	15,000	+
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There's an interesting look-through on the recent insider buying, and shoutout to @Karan for helping me notice it this week. Let me explain.

In the most recent quarter, management explained the various issues at the Golden Queen mine (fire, weather, ramping challenges, etc.), which led to higher AISCs. But they also said those were one-time issues, and we'd see "a material improvement in revenue and earnings" going forward.

Here's [what I wrote](#) at the time (emphasis added):

"I have a short leash for small to mid-junior mining companies with one or two assets.

Yes, these issues in Q1 seem temporary, and management should be able to fix them by Q2.

*But there is a huge graveyard of junior mining companies whose management teams say they will fix things but don't. **Management said that Q2 will inflect revenues, profit, and margins, and I will hold them to that.***

If we don't see a material improvement in those metrics and/or the stock price falls below yesterday's lows, we will exit the position and reassess with a clear mind and a fresh PnL.

*The good news is that both silver and gold prices have risen since Q1. **I expect those higher prices to flow through to the bottom line as APM generates profits and uses those profits to complete the current NCIB program.***

Now ask yourself this question ... if APM still had issues at Golden Queen or thought there were more cost overruns, would they have repurchased 337K shares in May?

Probably not.

Remember, management owns 50% of this company. Reducing the share count doesn't help them if they let costs explode and generate operating losses (in fact, that's just more losses per share!).

In other words, insider buying is a sign that Golden Queen is progressing and has resolved the cost/fire issues.

Finally, the most recent insider buying round gives us a clear picture of how management allocates capital. If there are still issues at Golden Queen, yet management spent the money buying back stock, that's a red flag. Fix the troubled asset to correct earnings power, then return to buybacks.

It goes back to what I said two weeks ago ... Q2 is a "show me" quarter for APM.V. We'll be watching.

Foran Mining (FOM.V) CEO Interview: Another Reason To Be Bullish

FOM.V is our Canadian copper developer trying to build a copper mine in McIlvenna Bay, Saskatchewan.

Read our initial deep dive into the company [here](#). I also recommend reading FOM's [latest investor presentation](#).

The elevator pitch is that FOM sits on a massive 27Mt high-grade, low-capex-intensity VHMS deposit in one of the best mining jurisdictions globally. The CEO, Dan Myerson, left his cushy Glencore job, plowed all his money into FOM, took his salary in stock, and is working like hell to bring the deposit to production.



Dan's been working hard and hasn't had time for podcasts/interviews. It's been over two years since he did the podcast roadshow.

But this week, he appeared on one of my favorite podcasts, [Capital Cyclists](#), to discuss copper, why he left Glencore, and the opportunity at Foran Mining.

You should listen to the episode; it's only 30 minutes long. But if you don't have time, here are my TL;DR **Podcast Notes**.

On joining and working at Glencore ...

- “After graduating college, all my friends went to work at Facebook and Google. I ended up at Glencore, and it was one of the best things that happened to me. It's one of the most premier companies in the world.”
- “With COVID, I realized that supply chains would collapse, and it would make it impossible to invest in hard assets. And at that point, hard assets had been underinvested for the prior ten years.”
- “The way we'd do it at Glencore is solely focus on supply, because that's the only thing you can control.”
- “For some reason, analysts love focusing on demand. But it's so unknown. Supply is there. You can count it with every mine, and that's what we did at Glencore. We went mine by mine.”
- “Another advantage we had at Glencore was our network. We had fifty offices globally and could learn about any mine we wanted.”
- “I worked under Ivan Glasenburg as a trader there, and I learned a ton from Ivan. And all we did was focus on bottoms-up supply.”

On shifting to Foran Mining ...

- “I got to spend a lot of time in Canada with Glencore, and I realized that there's this massive opportunity to invest in critical minerals like copper and try and build something valuable ... So I took everything I had, I left Switzerland, and moved to Saskatchewan. I just got engaged and I invested all my money in Foran Mining.”
- “Today I own around 5% of Foran Mining. But at the time it was literally every single dollar I had.”

On building a mining team ...

- “People don't appreciate the lack of skilled talent in the mining industry. Building a mining team is one of the hardest things to do, if not the hardest, outside getting geology right and building the mine.”

- “Mining has been such an unsexy industry for so long. All the smart engineers went to software companies. These guys didn’t want to live in remote jungles of the world studying rocks and building mines.”

On where we are in the copper capital cycle ...

- “We’re in a very challenging space for copper supply. The amount of time it takes to bring a copper mine online from discovery is 26 years.”
- “The copper market will really surprise people. It’s not like oil where you can just turn on the tap/well. It’s only getting harder. Permitting, financing, it’s all getting harder.”
- “The mining sector is getting more focused on value per share, dilution, and cost of capital.”
- “There’s been no meaningful exploration success in copper outside Vicuna district and our discovery at Tesla foreland.”
- “Let’s say copper goes to \$20,000/t tomorrow. It doesn’t change much for supply because permitting takes so long, getting supplies and equipment takes so long, and you still have to have the right team with the proper skillset. You’re looking at 7-10 years.”

On how Dan can be wrong on the copper story ...

- “The recycling rates that analysts are estimating in their copper supply forecasts are very optimistic. These rates have never happened before, but they believe recycling rates will suddenly make new highs.”
- “Copper has historically traded at depressed multiples. But part of the reason for that is because the industry has done a poor job of marketing the copper story for ESG and environmental goals.”

On replacement cost of copper assets ...

- “It’s probably going to be closer to \$50,000-\$75,000/t for new greenfield copper projects.”
- “At Foran we are at \$12,000/t ... and a lot of that is because we have so much infrastructure in place (water, rail, roads, etc.)”

On China’s influence on copper ...

- “China has invested in hard assets throughout the world and they’ve invested onshore through smelting. Today they control over 50% of the copper market.”

- “The thing that’s most mispriced in copper is the jurisdictional risk premium that investors don’t know how to calculate.”
- “You have a fundamental problem where spreadsheet mining is done with a single discount rate, regardless of where the asset is, but that will change ... Remember, Codelco was created from nationalizing private assets. And that was only in the 70s, not that long ago.”

On capital markets realizing the copper supply deficit ...

- “We are extremely early in capital markets recognizing this copper supply deficit story. No capital is going to explorers or developers yet.”
- “This capital cycle ends when massive supply projects actually come online. Which, on average, takes 26 years from discovery to come online.”
- “Some of the biggest producing assets today are depleting, they are not growing production. I don’t know how you solve that other than significant discoveries and M&A.”

As I said, this makes me more bullish on copper long-term and FOM.V as a buyout candidate.

I think the way FOM ends is Dan building the company up to pre-production or first pour and then selling the asset to one of his Glencore buddies at a nice premium. He doesn’t take a cash salary, so he’s incentivized to get the highest price for his project.

Until next week,

Brandon