MACRO OPS
TRADE - LEARN - EVOLVE

March 19, 2025

THE LONG PULL: Portfolio & Watchlist Update (APM, EMO.V, and LSF)

We've got a quick Portfolio and Watchlist update this week.

First, we dissect Andean Precious Metals' (APM) latest Q4 earnings report. Then, we explore Emerita Resources' (EMO) latest Mineral Resource Estimate (or MRE) update. Finally, we review Laird Superfood's (LSF) place in the ever-changing world of CPG M&A.

Let's get after it.

Andean Precious Metals (APM): Q4 2024 Earnings Update

APM reported Q4 earnings last night. Here are the highlights:

- ➢ 106,287oz of gold equivalent production (+70% from 2023)
- ➢ Record revenue of $254M
- ➢ $2,332/oz average gold price and $28.84/oz average silver price
- ➢ $81.6M in liquid assets (up from $70.1M in 2023)
- ➢ Record free cash flow of $34.5M
- ➢ $68.6M in Operating Profitsn (versus $14.2M in 2023)

Let's discuss Golden Queen.

In 2024, APM produced 54,725oz of gold at an AISC of $2,015/oz. However, the company lost some ounces due to a temporary suspension of crushing and stacking activities in September 2024, which impacted production in Q4/24. Despite this, they still hit the midpoint of production guidance.

I'm still concerned about the $2,015 AISC. Sure, Golden Queen prints money at $2,800/oz gold, but we're still a "high-cost" producer. And the leverage only helps if it's in our favor. The good news is that APM has reduced Golden Queen's cash cost from $1,800/oz at acquisition to $1,500/oz today.

The company will spend $22-$25M in total capex on Golden Queen this year, split between sustaining ($14M) and growth ($11M).

Sustaining Capex includes replacing stacking systems and processing plant equipment, overhauling existing equipment, and upgrading crushing equipment.

Growth capex includes initial capital outlays for a new phase of the heap leach pad, the purchase of new haul trucks, and the construction of new production water wells for future mine production.

Here is my back-of-the-napkin model for Golden Queen.

Golden Queen Mine	**2025**
Gold Production (oz)	55,000
Avg. Gold Price	$2,850.00
Total Revenue	$156,750,000
AISCs ($/oz)	$1,950
Total Costs	$107,250,000
Net Profits	**$49,500,000**
Less Capex	$25,000,000
Free Cash Flow	**$24,500,000**
FCF Yield	**15.10%**

APM enters 2025 *hedge-free,* which should increase average realized gold prices. I've also assumed APM spends the high-end of its capex guidance at $25M.

Golden Queen ends 2025 with an estimated $24.5M in free cash flow for a 15% FCF yield at APM's current EV.

Onto San Bartolome.

San Bartolome produced 4.5M silver-equivalent ounces in 2024 versus 4.6M silver-equivalent ounces in 2023. APM's silver business generated $126.9M in revenue and $46.2M in Gross Cash Operating Income (CGOM).

In 2024, the company generated $9.15/oz in CGOM, which resulted in a 38% margin, compared to last year's $2.87/oz CGOM and 16% margin.

APM estimates $6.50 - $8.40 in CGOM for 29%-36 % average margins this year, with production averaging 4.5Moz of silver or 52.5koz of gold equivalent.

San Bartolome is a low-capex silver operation. In 2025, its total capex will be ~$7M, split between sustaining ($6.2M) and growth ($800K).

Here's my napkin model for San Bartolome.

Unit Economic Model	2025
Silver Eq. Production (Moz)	4.50
Avg. Silver Price	$33.00
Total Revenue	$148.50
AISCs ($/oz)	$25.00
Total Costs	$112.50
Net Profits	**$36.00**
Less Capex	$7.00
Pre-Tax Free Cash	**$29.00**
FCF Yield	**17.87%**

At an $8 CGOM, San Bartolome will generate $149M in revenue and $29M in free cash flow (18% FCF yield at current EV).

APM's combined operations should generate **$305M in revenue and $54M in free cash flow** for a **33% FCF yield.**

So, what will the company do with all that cash? I have a few ideas:

1) Buy back stock with the renewed NCIB.
2) Invest more capital into exploration drilling at Golden Queen (this could be highly valuable if they can extend mine life).
3) Eliminate the Golden Queen debt (they could do it by November).
4) Buy another producing asset (I guess it will be a North American gold producer).

Here's what I would do if I were APM's CFO.

I'd prioritize exploration drilling at Golden Queen and earmark ~40% of free cash flow for the drill bit. Then, I'd split the remaining 60% between buying back stock and stashing it in the Treasury while I wait for the next acquisition.

2025 should be a news-filled year for APM, and I'm excited to follow the action.

Emerita Resources (EMO.V): Bigger and Better

Emerita Resources (EMO) recently announced a [substantial update to its Mineral Resource Estimate (MRE)]() for the wholly owned Iberian Belt West (IBW) project.

EMO is a special situation play. The company is ending an 11-year legal battle over the awarded tender for the Spanish Aznalcollar mine.

Aznalcollar is a massive, highly valuable asset. It's a Tier-1 deposit with full government support, access to infrastructure, roads, water, and power with four known deposits for a total of 200Mt of ore.

The TL;DR is that EMO should win the court case and be awarded the tender, at which point it should trade at a *much* higher valuation to account for the additional 200M tons of high-value ore.

You can read our original write-up on EMO here.

The update represents a 35% Increase in Total Indicated Mineral Resource Tonnage and a 44% Increase in Total Inferred Mineral Resource Tonnage.

Here's the updated resource breakdown:

- **Total Indicated Resource:** 18.96Mt grading 2.88% zinc, 1.42% lead, 0.50% copper, 66 g/t silver, and 1.28 g/t gold (8.44% ZnEq or 3.01% CuEq)
- **Total Inferred Resource:** 6.80Mt grading 3.25% zinc, 1.50% lead, 0.73% copper, 56.3 g/t silver, and 0.77 g/t gold (8.72% ZnEq or 3.00% CuEq)

The resource update substantially increased the company's **contained metal** content:

- **Contained metals (Indicated):** 547Kt zinc, 269Kt lead, 94Kt copper, 40,263Koz silver, 783Koz gold
- **Contained metals (Inferred):** 221Kt zinc, 102Kt lead, 49Kt copper, 12,311Koz silver, 168Koz gold
- **Total Contained Metals:** 768Kt zinc, 371Kt lead, 143Kt copper, 52,574Koz silver, and 951Koz gold

Which feeds directly into **higher** in-situ values (see below).

Iberian Belt West (Updated)			
Commodity	**Contained Metal**	**Commodity Price**	**$ Value**
Copper	143,000.00	$9,500.00	$1,358,500,000
Zinc	768,000.00	$2,900.00	$2,227,200,000
Lead	371,000.00	$2,300.00	$853,300,000
Silver	52.50	31	$1,627,500,000
Gold	0.95	2900	$2,757,900,000
		Total In-Situ	**$8,824,400,000**
		7.5% of In-Situ	**$661,830,000**
		Per-Share @ 5%	**$2.82**
		Current Share Price	**$1.85**

Here's the other important factor. EMO currently trades at ~2.80% of its IBW in-situ value. Companies like Foran Mining (FOM) and Adriatic Metals (ADT1) trade at 10% and 11% of in-situ value, respectively.

Assuming a modest 7.5% in-situ valuation (smaller than FOM but comparable in size and contained metal to ADT1), **the IBW project alone is worth $2.82/share,** compared to the current share price of $1.41.

But again, the comparison doesn't include Aznacollar, which the company *should* win by the end of the summer.

EMO has fallen 23% since we bought our starter position. I like the chart and might add around CAD 1.50 for a second-leg swing, with a stop below the recent pivot at CAD 1.12.

Laird Superfood (LSF): Why 3x Sales Could Be The Valuation Floor

Laird Superfood (LSF) is a fast-growing left-for-dead RFK beneficiary with 40% gross margins, no debt, and a path for sustainable free cash flow. It's an ideal CPG target for Nestle, which typically pays 3-5x sales. If growth trends continue, LSF's market cap could reach $160-$180M in 2-3 years.

You can read my full write-up on the company here.

Drew Fallon is one of my favorite Twitter follows in the CPG/branded goods space. Whenever something happens in the CPG space, Drew is usually the first to tweet a detailed thread on the deal, what it means for the space, and why it matters for other companies.

On March 17th, Pepsi announced a buyout of the "good for you" probiotic soda Poppi. Pepsi paid $1.95B or $1.65B with $300M in assumed tax benefits.

And like clockwork, Drew wrote an excellent thread on the deal. Here's a snippet from the tweet:

> *"The main takeaway here for me is the overall multiple expansion that we've seen in these massive beverage deals of the course of the last nine months … We've seen this trend in the following deals:*
>
> *- OWYN (6/13/2024): 2.33x sales*
>
> *- GHOST (10/24/2024): 3x sales on a not 100% ownership deal*

- Alanu Nu (2/20/2025): 2.8x sales

- Poppi (3/17/2025): 3.3x sales"

Here's why this matters to LSF:

1) Soda is just as crowded as coffee creamers or coffee beverage products.
2) Poppi is a textbook "better for you" and "healthy alternative" products that large CPG companies crave.
3) LSF has gross margins that are just as good, if not better, than the companies above. GHOST and Alanu Nu are private, but OWYN has ~38% margins.

LSF's direct competitors are getting bought for ~3x sales. This isn't an N=1 sample size, either.

The Poppi news heightens my conviction that LSF should be worth ~$150M. Now, check out the weekly chart.

I'm buying LSF on a weekly bull close with a stop below the prior week's lows. As the trade works, we'll risk ~50bps on this starter position and increase our notional size.

