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THE LONG PULL: Idaho Strategic (IDR) 2024 Earnings Recap

Idaho Strategic (IDR) reported its 2024 full-year results on Monday. Here are some highlights (YoY):

- Revenue increased by 89% to $25.7M
- COGS increased by 32% to $12.8M
- Gross Profit grew by 227% to $12.95M
- Cash From Operations increased by 415% to $10.83M
- Net Income increased by 663% to $8.8M
- Ounces Produced increased by 44% to 11,915
- Average grade (gpt) increased by 44% to 9,67g/t

Not bad!

The company has now achieved nine consecutive quarters of GAAP profitability while investing in the business, increasing cash and investments, and reducing equipment debt.

I love how John Swallow described the year (emphasis mine):

> "Hats off to our employees and stakeholders. It says a lot about a team that can follow-up the work that went into a pivotal year like 2023 - with a totally transformational year like 2024.
>
> To say we hit the ground running in 2024 is an understatement. **We had record revenue and profit throughout the year, eliminated most of our debt, added cash (and treasury notes) to our balance sheet, invested considerably in operations and facilities at the Golden Chest, continued near-mine exploratory drilling throughout the year, replaced and added to reserves**, and we are embarking on a 2025 that will most likely be the busiest year in company history.
>
> Again, congrats to all of our stakeholders for a great 2024 and we are looking forward to a prosperous 2025."

There's a lot to explore from the company's 10-K, but I want to start with the balance sheet. The balance sheet makes IDR different from every other mining company. It's why I'm so confident in IDR and John Swallow's ability to steward our capital.

The Best Balance Sheet in Mining

Here's the year-end balance sheet (see below).

Idaho Strategic Resources, Inc.
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,106,901	$ 2,286,999
Investment in US treasury notes	7,775,193	-
Gold sales receivable	1,578,694	1,038,867
Inventories	899,924	876,681
Joint venture receivable	2,892	2,080
Investment in equity security	-	5,649
Other current assets	378,469	236,837
Total current assets	11,742,073	4,447,113
Property, plant and equipment, net of accumulated depreciation	12,904,065	10,233,640
Mineral properties, net of accumulated amortization	10,573,349	7,898,878
Investment in Buckskin Gold and Silver, Inc.	341,436	338,769
Investment in joint venture	435,000	435,000
Investment in US treasury notes, non-current	7,208,930	-
Reclamation bonds	249,110	251,310
Deposits	567,667	285,079
Total assets	$ 44,021,630	$ 23,889,789
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,006,078	$ 484,221
Accrued payroll and related payroll expenses	564,090	266,670
Notes payable, current portion	709,381	978,246
Total current liabilities	2,279,549	1,729,137
Asset retirement obligations	305,409	286,648
Notes payable, long term	1,023,358	1,338,406
Total long term liabilities	1,328,767	1,625,054
Total liabilities	3,608,316	3,354,191

The company increased its current assets – cash, US treasury notes, receivables, and gold inventory – by 164% YoY. IDR generates enough cash to invest in treasury notes, something it couldn't do last year.

Now, look at the liabilities. Total liabilities increased by 6%. But the actual debt portion – the current and long-term payables – decreased YoY. That means the driver of the liability increase was AP, accrued expenses, and accrued payroll (which could be employee bonuses).

IDR has 2x the amount of treasury notes to cover **total liabilities.** It's the strongest balance sheet I've seen in the mining space. And it's from a junior producer.

Next, let's talk about resources and grades.

Resource & Grade Evolution (Golden Chest Mine)

The company has increased production from 6,103oz in 2022 to 11,915oz in 2024 *while increasing* Proven & Probable (2P) Reserves *and* Measured & Indicated (M&I) resources.

Check out the 2P Reserve evolution below.

Classification	Year	Tonnes	Grade (grams gold per tonne)	Cut-off (grams gold per tonne)	Metallurgical Recovery
Proven and Probable Reserves	2022	53,754	4.73	2.0	93%
Proven and Probable Reserves	2023	127,477	6.74	3.2	93%
Proven and Probable Reserves	2024	170,819	8.99	4.0	93%

IDR has improved average grades to the point that last year's cut-off grade (i.e., "we won't mine below this level") is almost equal to 2022's 2P Reserve grade.

Then, there's the M&I resource expansion (see below).

Classification	Year	Tonnes	Gold Grade (grams gold per tonne)	Cutoff (grams gold per tonne)	Metallurgical Recovery
Measured	2023	406,605	4.10	2.0 UG & 1.4 OP	93.0% UG 85% OP
Indicated	2023	665,550	4.00	2.0 UG & 1.4 OP	93.0% UG 85% OP
Measured + Indicated	2023	1,072,155	4.04	2.0 UG & 1.4 OP	93.0% UG 85% OP
Inferred	2023	743,793	3.23	2.0 UG & 1.4 OP	93.0% UG 85% OP
Measured	2024	374,389	4.16	2.0 UG & 1.4 OP	93.0% UG 85% OP
Indicated	2024	859,458	3.24	2.0 UG & 1.4 OP	93.0% UG 85% OP
Measured + Indicated	2024	1,233,887	3.52	2.0 UG & 1.4 OP	93.0% UG 85% OP
Inferred	2024	823,172	2.82	2.0 UG & 1.4 OP	93.0% UG 85% OP

Remember, this is only for the Golden Chest Mine, just one of IDR's nine gold-specific properties.

This year's exploration program should add significant M&I and 2P reserves to the Golden Chest mine and (maybe) other gold-based properties.

Alright, onto cash costs and AISCs.

Breaking Down Cash Costs & AISCs

Here is the breakdown of the cash costs and AISCs from the 10-K (see below).

	December 31, 2024	December 31, 2023
Cost of sales and other direct production costs and depreciation, depletion, and amortization	$ 12,814,880	$ 9,691,697
Depreciation, depletion, and amortization	(1,953,388)	(1,466,703)
Change in concentrate inventory	(23,243)	(258,368)
Cash Cost	$ 10,838,249	$ 7,966,626
Exploration	2,920,535	1,523,221
Less REE exploration costs	(274,129)	(613,883)
Sustaining capital	3,385,893	2,458,737
General and administrative	763,040	630,126
Less stock-based compensation and other non-cash items	(18,278)	(3,860)
AISC	$ 17,615,310	$ 11,960,967
Divided by ounces produced	11,915	8,247
Cash cost per ounce	$ 909.63	$ 966.00
AISC per ounce	$ 1,478.41	$ 1,450.34

I want to highlight three things:

1. Cash Costs declined YoY from $966/oz to $909/oz.
2. Exploration expense increased 92% YoY from $1.5M to $2.92M.
3. AISCs increased by 2% YoY from $1,450/oz to $1,478/oz.

That last part is important because a) a lot of miners aren't realizing higher margins due to AISC overruns and b) Exploration expense growth drove the entire AISC YoY increase.

In fact, Exploration costs were the **only expense that saw a YoY increase** (see my breakdown below).

	Per Oz 2024	Per Oz 2023	YoY $/oz Change
COS	$1,075.12	$1,176.19	-8.59%
D&A	-$163.66	-$177.03	-7.55%
Change in Inventory	-$1.93	-$31.28	-93.83%
Cash Costs	$909.53	$967.87	-6.03%
Exploration	$245.07	$184.31	32.97%
Less REE	-$23.00	-$74.45	-69.11%
Sustaining CAPEX	$284.52	$298.29	-4.62%
G&A	$64.04	$76.39	-16.17%
Less SBC	-$1.51	-$4.73	-68.05%

Now, we can't just *not* include exploration in our AISC calculation and go, "Look at how much lower the AISC is once you adjust for exploration!" Why? Exploration is a normal expense for a growing producing miner. You need to replenish reserves, and you do that through exploration.

However, we can split exploration into growth and maintenance and treat it like a software (or any other company's) capex program.

Exploration Expense ($/oz)	2024 (65% Growth)	2023 (25% Growth)
Growth	$183.80	$46.08
Maintenance	$61.27	$138.23
Total	**$245.07**	**$184.31**

This doesn't mean we use 100% of maintenance as our "true exploration cost." Instead, consider this an exercise in understanding some "normalized" version of exploration costs.

For instance, we can take the average of 2023 and 2024 to get a "normalized" exploration cost of $214/oz. That's **$31/oz lower** than our 2024 number.

	2024	2023
COS	$12.81	$9.70
D&A	-$1.95	-$1.46
Change in Inventory	-$0.02	-$0.26
Cash Costs	**$10.84**	**$7.98**
Exploration	$2.92	$1.52
Less REE	-$0.27	-$0.61
Sustaining CAPEX	$3.39	$2.46
G&A	$0.76	$0.63
Less SBC	-$0.02	-$0.04
AISC	**$17,618,000.00**	**$11,939,000.00**
Ounces Produced	11,915	8,247
Cash Cost/Oz	**$909.53**	**$967.87**
AISC/Oz	**$1,478.64**	**$1,447.68**
Exploration Adj.	$31	
Adj. AISC	**$1,447.64**	

Normalizing exploration expense gets us $1,447/oz in AISC, almost **exactly the same as 2023.**

Here's why this exercise matters.

Setting Expectations for 2025

IDR will invest heavily into exploration this year. That will *increase* the reported AISC and *reduce* net income. That's obviously different than a company reducing net income for unexplained reasons or cost overruns, which you'd see in Cash Costs calculations.

They're doing what they said they would do.

IDR's best use of cash at $3,000/oz gold is through the drill bit to expand its resource, identify new vein systems for future production, and increase 2P reserves at incrementally higher grades.

We shouldn't fear a few quarters of lower net margins or higher AISCs. Instead, we should welcome them as a sign of a healthy company with a robust balance sheet and a solid plan for 2025 and beyond.