

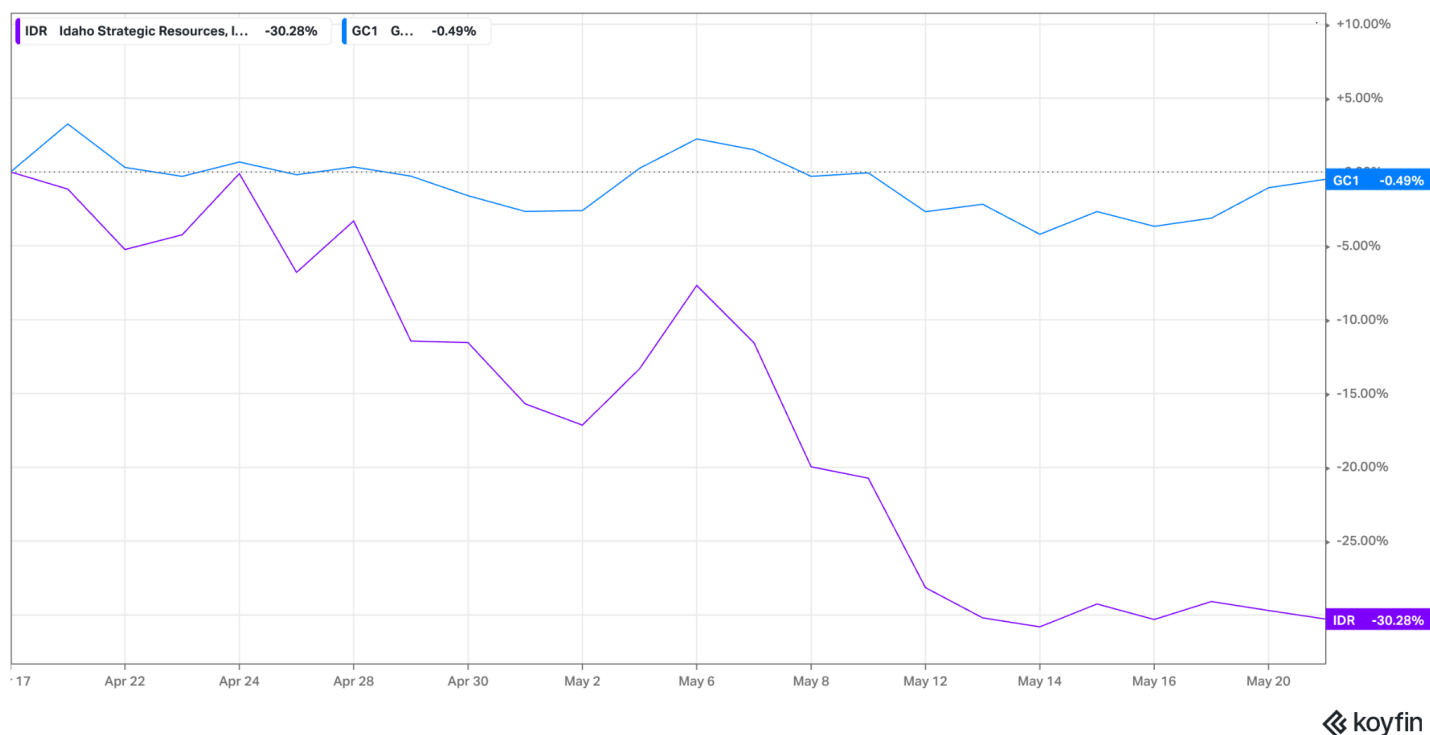


May 21, 2025

THE LONG PULL: Idaho Strategic (IDR) Q1 2025 Results

Idaho Strategic is down ~37% from last month's share price. The stock is still up ~24% YTD, outpacing the S&P 500 and Nasdaq 100, which is good! Until you realize that IDR was up 86% YTD a month ago.

Sometimes you can't explain a small-cap stock's price movement in any given month. IDR is a low float, tightly held stock that primarily trades with gold. So what happened this past month?



IDR reported Q1 2025 earnings in May, which sent the stock from down 10% to down 30%. However, the market severely overreacted to the company's earnings and subsequent \$35M shelf offering.

The "good" news is that we exited our long position with a ~5bps loss. We can wait on the sidelines, hoping for even lower prices, and re-enter on the next technical buy signal.

Let's dive into the financial report.

IDR's Q1 By The Numbers

Here's IDR's Operational Performance:

Operational Performance:	Q1 2025	% Change	Q1 2024
Ore Tonnes Processed	11,337	10.01%	10,300
Average Flotation Feed Grade (gpt)	8.67	-15.91%	10.31
Ounces Produced	2,900	-6.93%	3,116
All-In Sustaining Cost Per Ounce (\$USD)	\$1,430.90	21.98%	\$1,173.10

And here's the company's Financial performance:

Financial Performance (\$USD):	Q1 2025	% Change	Q1 2024
Revenue	\$7,278,536	23.39%	\$5,898,938
Total Cost of Sales	\$3,580,450	16.98%	\$3,060,701
Gross Profit	\$3,698,086	30.30%	\$2,838,237
Net Income Attributable to IDR	\$1,608,979	-25.89%	\$2,171,109
Earnings Per Share (EPS)	\$0.12	-29.41%	\$0.17
Average Realized Gold Price	\$2,848.74	44.73%	\$1,968.28

I would worry about two things if I knew nothing about the business:

1. 10% decline in Average Flotation Grade (gpt)
2. 22% increase in All-In Sustaining Cost (AISC)

These are two of the most important metrics when analyzing mining stocks. Flotation grade reveals how much gold you get per ton of ore mined. It's the **operating margin lever**. The higher the grade, the more gold you get for the same work required to extract the ore.

Then add the rising AISC, which measures how much it costs to mine the gold. So not only did IDR extract *less* gold per ton of ore, but it cost them 22% more (on paper) to do it. Not good!

This led to IDR's 29% and 26% YoY decline in EPS and net income, respectively.

Most mining (especially generalist) investors reached that conclusion and stopped there.

But let's address those two points with data and a fundamental understanding of IDR's long-term business plan.

Declining Average Flotation Grades

Viewed in isolation, the average grade decline looks concerning. However, it's important to note that:

- A) IDR's 8.67g/t is still world-class high-grade amongst all US underground gold mines.
- B) The company decided to mine a lower-grade portion of its H-Vein during Q1.

I asked CEO John Swallow about the lower average grades, and he said:

“[The lower grades] were due to mining the lower grade portion of the H-vein. It will vary as we go as we don't always know what the grade will be ... Even at that grade it's still one of the highest underground operations around. Sometimes I think we are a little spoiled if I'm being honest.”

And he's right. In 2022, [the average grade for US underground gold mines](#) was 4.15g/t. IDR's “lower grade” portion is still double the industry average.

Let's take a step back. In 2023, the company mined 37,780 tonnes of ore from the Golden Chest Mine underground at an **average grade of 6.36 gpt**. Then in 2024, IDR increased **average grades to 9.67g/t**.

I'm not concerned about any quarter's average grade, but the longer-term trend. And that's still up and to the right.

It's also worth noting that the H-Vein has [historically exceeded initial block modeling estimates](#). For example, the company noted in 2023 that:

“The H-Vein was included in the updated Mineral Resource for the year ending December 31, 2022. It made up a small portion of the total Skookum resource with 94,770 tonnes of Measured and Indicated Resource grading 4.3 gpt. Initial exploration drifting is taking place on the margin of the Inferred Resource area and initial results show significantly higher grades than the block model predicted. These initial results suggest that the H-Vein Resource may be remodeled to a higher grade and even possibly reserve classification with additional drifting up and down dip and with further exploration drilling.”

Then there's the new Paste Backfill System, which the company hopes to commission in the back half of 2025. The new backfill system should allow IDR to increase average grades while reducing processing costs. Here's how.

Why A Paste Backfill System Matters

When you dig gold out of the ground, you're left with empty tunnels (called "stopes"). If these gaps aren't filled, two bad things happen:

1. **Walls Collapse:** Unsupported rock can crumble, mixing worthless waste rock with valuable ore (called "dilution"). This lowers the gold grade sent to the mill.
2. **Future Mining Risks:** Collapses make it harder to safely mine nearby areas of the vein.

That's where paste backfill comes in. Paste backfill is like a custom concrete mix made from:

- Mine waste (tailings)
- A small amount of cement
- Just enough water to make it pumpable

Miners pump the paste underground to fill mined-out stopes. There are three reasons why paste backfilling matters in a mining operation:

1. "Tighter" Mining = Less Waste, More Gold

Think of it like dental fillings: Paste perfectly fills every crack, preventing walls from collapsing.

The result? Less waste rock mixes with the H-Vein's high-grade ore. Fewer "junk" rocks mean Higher gold grades sent to the mill (e.g., 9.67 g/t → 10+ g/t(?)) and lower processing costs (you're not paying to crush/process worthless rock)

2. Preserves the "Good Stuff" for Later

Paste backfill acts like a mold, keeping the surrounding rock intact. So, the company can mine right up to the edge of existing stopes without fear of collapse. This lets them recover more gold from the same vein.

3. Long-Term Cost Savings

Paste uses 30–50% less cement than older methods. Cement is expensive – this directly boosts margins. The backfill also hardens quickly, letting miners return to dig nearby areas sooner.

It also helps avoid environmental costs. Storing tailings underground (instead of in surface ponds) reduces cleanup risks and regulatory headaches.

Paste backfill isn't just a technical detail – it's a profit multiplier. By keeping the mine stable and grades high, IDR can squeeze more gold out of every ton of rock, generating higher average grades with lower costs, and greater profitability.

Alright, now let's talk about the company's increasing AISCs.

Increasing AISCs: Investing For Growth

Just like deciding to mine a lower grade portion of the H-Vein, IDR chose long-term profitability and growth over short-term operating profits. And I love it.

Here's the company's reported AISC calculation from the 10-Q:

	March 31,	
	2025	2024
Cost of sales and other direct production costs and depreciation, depletion, and amortization	\$ 3,580,450	\$ 3,060,701
Less depreciation, depletion, amortization and stock-based compensation	(854,755)	(501,788)
Change in inventory	(271,670)	79,845
Cash Cost	\$ 2,454,025	\$ 2,638,758
Exploration	1,371,433	267,848
Less REE exploration costs	(103,672)	(87,145)
Sustaining capital	624,244	682,827
General and administrative	237,018	160,663
Less stock-based compensation and other non-cash items	(433,451)	(7,570)
AISC	\$ 4,149,597	\$ 3,655,381
Divided by ounces produced	2,900	3,116
Cash cost per ounce	\$ 846.22	\$ 846.84
AISC per ounce	\$ 1,430.90	\$ 1,173.10

I rearranged the data in Excel to easily show YoY growth comparisons. Notice anything?

	Q1 25	Q1 24	YoY Growth %
Cash Cost	\$2,454,025.00	\$2,638,758	-7.00%
Exploration	1,371,433	267,848	412.02%
Less REE	-103,672	-87,145	18.96%
Net Exploration	1,267,761	180,703	601.57%
Sustaining Capex	624,244	682,827	-8.58%
G&A	237,018	160,663	47.52%
Less SBC + Noncash	-433,451	-7,570	
Net G&A	-196,433	153,093	
AISC	\$4,149,597.00	\$3,655,381	13.52%
Ounces Produced	2,900	3,116	-6.93%
Cash Cost/Ounce	\$846.22	\$847	-0.07%
AISC/Ounce	\$1,430.90	\$1,173	21.98%

IDR increased net exploration costs by 602% versus Q1 2024. Also, the \$433K of SBC was part of IDR's company-wide stock options program to increase long-term thinking for everyone in the company. Here's John's explanation [from the press release](#):

“We also made the decision to incentivize our team with company-wide stock options intended to support long-term thinking and shareholder alignment, for which we recognized a non-cash expense of \$495,146 during the quarter (the last option grant to our folks was in 2022).”

And they deserve it. IDR has a waiting list of people wanting to work at the company. John’s even mentioned that “we could create an entire new IDR” with the number of people wanting to work at the company.

Anyways, exploration costs drove all of the AISC increase on a total and per-ounce basis. Meanwhile, cash costs stayed flat YoY.

This is what it looks like for a mining company to forgo today’s profits for long-term value creation.

Despite the 22% AISC increase, IDR generates \$2.4M in cash from operations, allowing it to invest ~\$2M into growth, while leaving ~\$200K to add to the treasury. The company still has enough cash and equivalents to pay its total liabilities nearly twice.

The \$35M Shelf Offering

I also want to address the \$35M shelf offering announcement. I’ve had a few people DM me on Twitter because they’re worried about “management diluting shareholders into oblivion” or something along those lines.

The TL;DR is that the company renewed its \$35M at-the-money offering, allowing it to issue up to \$35M of stock “from time to time.”

IDR is in a position of strength. It has a fortress balance sheet and invests in growth through cash from operations. And I love this move,

I’ll leave you with some words from a fellow (and big) investor in IDR (who will remain nameless for now):

“The company has done a great job raising cash on the spikes. Why would John raise capital?

First, a great balance sheet is how you build an enduring business in a cyclical industry.

Second, they have 7 square miles of gold belt to explore and 12 square miles of REE property. This isn't free. On the REE side, they want to be in a position to match funds against the government to drill like hell.

Third, there is likely 2-4 other golden chest mines on their properties. Each one will take \$8-10 million to push into production. It makes sense to have enough cash to get after it when they find the next one.

I would love for John to have \$30m in cash on the balance sheet.”

What he said!

Conclusion: Is IDR Worth 36% Less Today Than Last Month?

Pretend the stock market doesn't exist for a second. Instead, focus on the *actual* performance of the business. The company has:

- Generated record quarterly revenues
- Increased investment in exploration by 400% YoY
- Added cash and treasuries to its balance sheet

All while gold flirts with all-time highs and the company maintains robust margins at discounts to today's prices.

The good news is that IDR can improve fundamentally while our capital remains unharmed on the sidelines. I've said this in Slack, but we only sold IDR for portfolio risk management reasons.

I haven't sold a share in my PA, and have used this drawdown to increase my exposure.

My hope is that each update deepens your understanding of the business, what John is building, and why I think the company remains differentiated from its peers.