 

TDV Updates Recap

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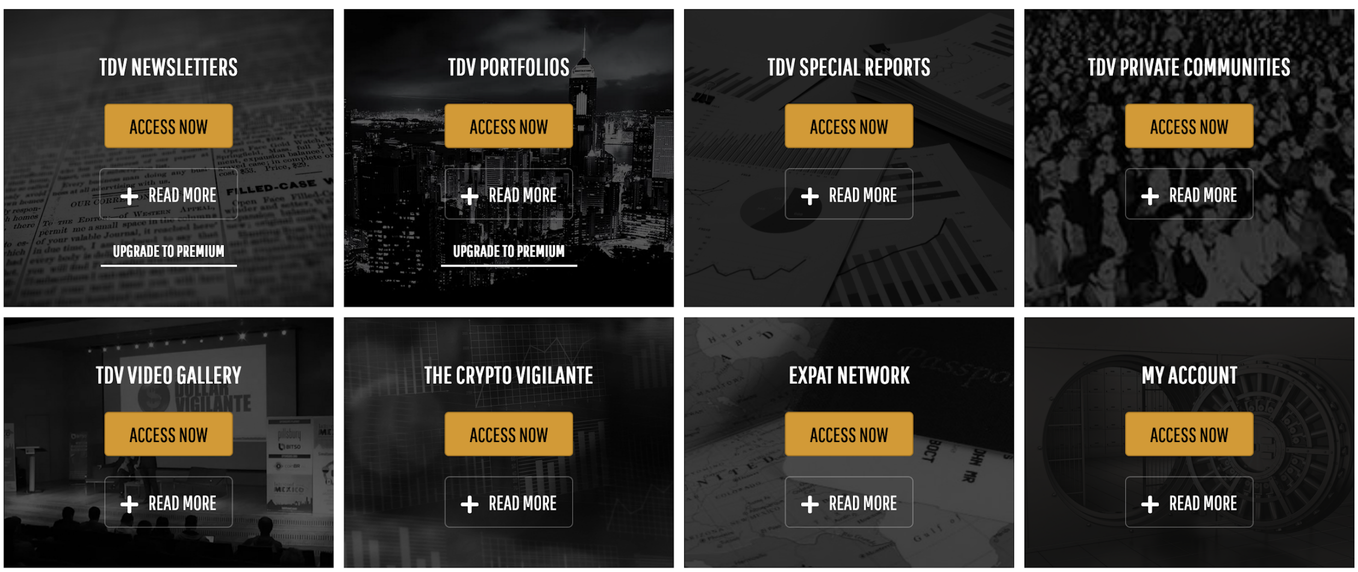
April 2, 2021

Important Reminder

This report consists in a recap of updates that have already been published (starting from pp. 4).

If you are new to the TDV Premium newsletter, first, thank you for subscribing. To get the most out of it here are some things you might want to know. You can access almost anything you need through the "member's area" of the website. If you scroll down a little you will see the following choices come up.



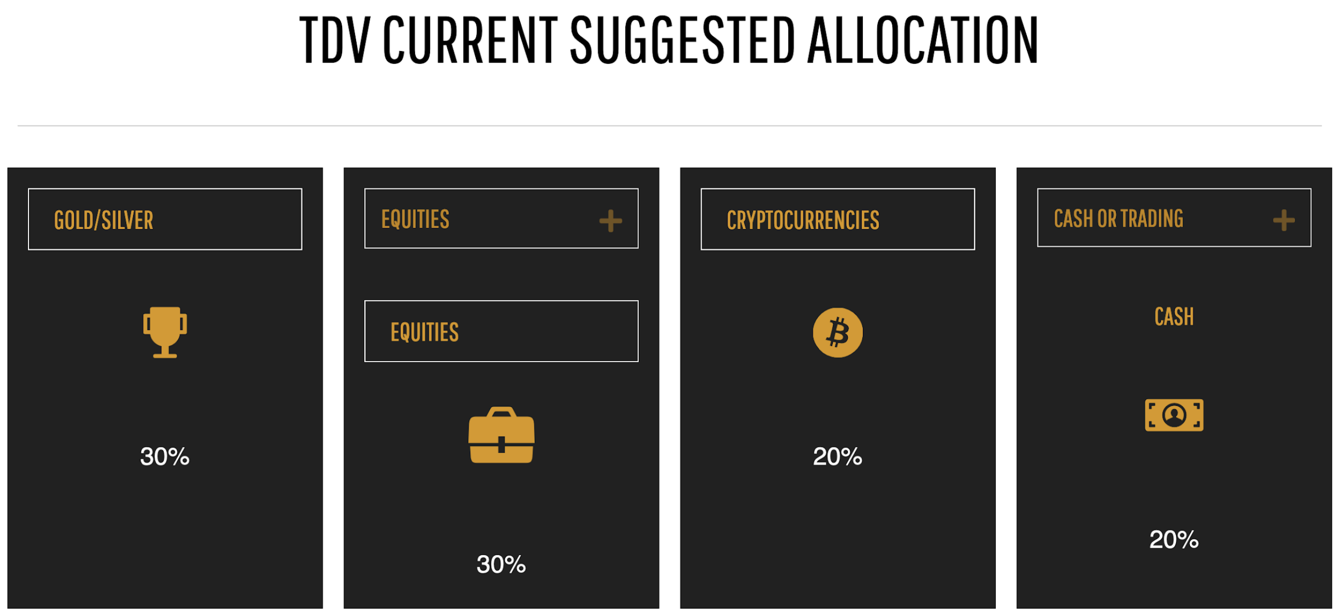
The first two boxes are where you will get most everything that's published on a regular basis.

Let me explain the difference though.

The "TDV Newsletters" section takes you to a page that links to the lastest (1) the monthly issue, (2) the dispatch, (3) trade alerts, and (4) any new special reports that we've created (working on a few right now).

The "TDV Portfolios" section will take you to the page that hosts our allocation and portfolio holdings.

The page looks like this:



That is just a generic investment strategy. Everyone will be different but if you are looking for some guidance that is how we would do it for most investors. Each of those boxes links to a separate profile page for that allocation or holding. When we have a quick update on gold and silver or bitcoin we will just add it to those pages, which triggers an email with a link that will take you straight to the profile page for that allocation or holding (assuming you are logged into the site already, otherwise you have to login first for it to work right).

Either way you can access the updates any time through the site going in through the "Portfolios" page.

Just click on gold/silver to go to the goldsilver profile page and you will see a logo, a "description" which expands, a real time chart, and below the chart you will see something that looks like this,

Those boxes all just expand into the update without leaving the page.

By clicking on "Equities," you will get taken to a table that hosts our portfolio and looks like this.

TDV DEFENSIVE INVESTOR MINER PORTFOLIO

MAJOR PRODUCERS (40%)

TDV Portfolio	Primary Metal	Number Mines	Date Added	Last Update
Newmont Goldcorp	Gold	14	APR 2019	March 9, 2021
Agnico Eagle Mines	Gold	7	AUG 2010	August 4, 2020
Pan American Silver Corp	Silver	10	AUG 2019	October 17, 2019
Cameco Corp	Uranium	1	AUG 2019	March 18, 2021
B2Gold	Gold	5	FEB 2011	March 31, 2021
Yamana Gold	Gold	5	AUG 2013	June 10, 2020

JUNIOR PRODUCERS (45%)

TDV Portfolio	Primary Metal	Number Mines	Date Added	Last Update
SSR Mining	Gold/Silver	4	DEC 2020	December 24, 2020
Argonaut Gold	Gold	3	AUG 2013	February 19, 2021
Endeavour Silver Corp	Silver	2	AUG 2019	March 25, 2021
Fortuna Silver	Gold/Silver	3	AUG 2013	March 11, 2021

EXPLORERS / EMERGING PRODUCERS (15%)

TDV Portfolio	Primary Metal	Asset Stage	Date Added	Last Update
Sabina Gold & Silver	Gold	Emerging	AUG 2010	February 1, 2021
Cascadero Copper	Gold	Development	APR 2016	March 22, 2021
Alexco Resource Corp	Silver	Emerging	AUG 2019	February 4, 2021
EMX Royalty	Gold-Copper	Royalty	AUG 2010	March 7, 2021
Mexican Gold	Gold	Exploration	NOV 2017	February 25, 2020

Each of those companies has their own profile page with all of our updates on them there. None of this shows up in the regular newsletters. It is an add on service. And it is also where you get our TA and market action updates on bitcoin, gold and silver in real time. This report is a monthly publication that essentially copies and pastes all of those updates into a single report and puts it in the "newsletters" section in case you missed them.

Basically just an added convenience.

Gold/Silver - April 1, 2021

GOLD/USD	SHORT TERM 0-3 MO	INTERMEDIATE 3-18 MO	PRIMARY 18 MO +
TA TRENDS	BEARISH	BEARISH	BULLISH
MY OUTLOOK	BULLISH	BULLISH	BULLISH

SILVER/USD	SHORT TERM 0-3 MO	INTERMEDIATE 3-18 MO	PRIMARY 18 MO +
TA TRENDS	BEARISH	NEUTRAL	BULLISH
MY OUTLOOK	BULLISH	BULLISH	BULLISH

As far as gold goes, I think the bottom is in. That's the second time I've said that with any confidence since the March 9th test of the $1690 level. That level is important for the bullish leg that started in late 2018 from the $1200 level. It's a primary trend support point. The worst case for this trend is $1450. A break below that level would call into question the bull market in gold. I'm not expecting the market to get that far to be sure.

I expect this level to hold. The $1690 level was my worst case scenario for the correction when it started in September. It represented, roughly, the top of the market before the covid panic sell off in March of last year, and the bottom of the subsequent retracement after recovering from the $1450 post panic bottom to make a higher high, just before continuing on to ~$2100. So it should be pretty good trend support. I shouldn't have to say that since it is evident. The market bounced off it on March 9, as well as today (March 31).

At the time of writing the bulls recovered the full extent of yesterday's decline and then closed above yesterday's open to put in what we call an outside day on the bar and candlestick charts. The resistance level between $1750 and $1770 could hold it back a little bit longer, but if we go through it quickly enough it could indicate a reversal. The dollar's failure could help.

The dollar's bounce has become a head wind for gold and silver as a risk on trade. Although I expected it to happen and warned about it all through the fourth quarter of last year, I underestimated its impact on our precious metals positions. Probably because it telegraphed and took so long to emerge, a bit like Chinese water torture. The bulls pushed through 92.5 and are hitting resistance at 93.5 today, which was basically the dollar's low in 2016 and 2017 before it broke those lows in 2018. So they are knocking on that door to push back up into the middle of a 5 year range that I infer as a top, and continue to infer as a top, regardless that most of the currencies it trades against in forex markets are worse.

This latter fact has never stopped a primary cycle from happening. That's due to the reality that the USD is the only currency where there is extra demand for it connected to its traditional role as a reserve currency.

That makes it the only currency where a recession in international demand for it on a large scale is possible.

That crisis is still coming, but the bulls are making a comeback play right now.

Zooming into the shorter term, the bounce at this point has already beat the previous bounces in extent and momentum, although it has not reversed any technical trends other than the last short term down leg (Oct-Dec). If we are right about the fundamentals and longer term it should run into a wall of sellers between here (93.5) and 94.80, which is where the bulls run into the reversal point for the 1-year downtrend.

All of this seems close in my indicators, so beware of those tests.

And remember what we discussed in the Dispatch this month about how the inflation indicators are going to turn up strongly in annualized percentage terms thanks to the easy one year ago comparisons.

Inflation and interest rate pressures are knocking on the Fed's door.

Dollar bulls right now may be immersed in the recovery story but the inflation story will come out of nowhere in the next month or two. UNLESS the stock market collapses first. That would soften commodity prices.

The gold and silver corrections are almost over, don't forget to stock up on these valuable assets.

B2Gold - March 31, 2021

B2Gold produced 1.04 million gold ounces in 2020 at an AISC of $788/oz, generating net income of $628 million and operating cash flow of $951 million. The company has guided production of approx. 1 million ounces at an AISC of $890/oz for 2021, including its share of 50,000 ounces of attributable gold production from **Calibre Mining (TSX: CXB)**. This is likely conservative, since the company is working on raising production levels at its Fekola mine in Mali by mining additional areas and increasing milling capacity.

B2 is also rapidly advancing two of its development projects, the 50% owned Gramalote project in Colombia and the 81% owned Kiaka project in Burkina Faso. According to the 2020 PEA, Gramalote has the potential to produce 284,000 gold ounces per year at an AISC of $648/oz over its 13.6 year mine life. A final Feasibility Study is due next month, with a construction decision being announced shortly thereafter. Based on my guesstimate, Kiaka can produce ~300,000 gold ounces annually over a >10 year mine life. A FS on Kiaka is due by mid-year, and the company may well surprise the market by greenlighting a construction decision on this project as well. Management has been dropping hints that they are working out the scheduling to enable their construction crew to advance both projects simultaneously. In January 2020 when gold was at $1550/oz, **B2Gold** was trading at current price levels. Back then, the stock had a PE of 15 based on 2019 earnings.

Currently, it trades at a PE of 7, or less than half that, based on 2020 earnings. Based on our earnings estimate for 2021, the stock trades at a forward PE of 5.5 (as compared to 9.3 for Newmont), making it an extremely attractive value buy, especially given the company's track record and imminent growth potential.

Bitcoin - March 29, 2021 (Bitcoin Outlook)

BTC/USD	SHORT TERM 0-3 MO	INTERMEDIATE 3-18 MO	PRIMARY 18 MO +
TA TRENDS	NEUTRAL-BULLISH	BULLISH	BULLISH
MY OUTLOOK	NEUTRAL	NEUTRAL	BULLISH

I spent last week comparing the current bull market cycle in bitcoin to the prior one. Below the graph on the next page, I've noted some similarities and differences. I'm torn between two possible outcomes in the short term. One is a correction to the 240-day moving average (red line), the other is a moon to $100k next month.

However, I am leaning towards the correction scenario I've been talking about recently.

The Comparison

I decided to shift the top graph so that the bull market beginnings lined up, although if you want to mark the beginning by the break out moves, I should have shifted the top graph more to the right so that the 2019 blow-off to $13.8k lined up with the late 2015 blow-off to $500. The correction we saw after $13.8k in 2019 was a bit steeper than the one we saw after $500 in 2015 but they both lasted a while, 6-9 months before the bull market resumed. So somewhere in mid-2020 after the Covaids crash, we saw the bull market come alive like it did in the middle of 2016. From there, in the latter case, it would still be another year and a half and a 30-fold gain, approximately. Based on that analysis, a relatively popular way of looking at things, we may still have 6 months to go and another 5-6 times the current level, up to $300k, plus/minus, before this leg is over.

Of course, we are later in the evolution of bitcoin and you have to remember that going from a few hundred bucks up to $20k is just several hundred ***billion*** while going from here to $300k is several ***trillion*** more.

In terms of the length of each rally and correction that follows and the slope of the trend, however, I reasoned that we could be somewhere around the 8k mark where we were falling back to about 5-6k in 2017 just before it went straight up to 20k over the next month or so. We may observe that the current cycle is choppier too.

One other observation to note about the last bull market cycle (2015-17) is that back then, bitcoin peaked *before* the stock markets, which followed bitcoin down in the new year (2018) and fell harder late in 2018.

Other observations that may or may not be helpful to formulating your own outlook,

1. While in bull market mode the price doesn't seem to want to revisit the 240 moving average
2. The 2015-17 cycle was more steady and increasingly parabolic (not so choppy)

The fundamentals still look good, none of the billionaires are really complaining about the pick-up in fees, and the fees are nowhere as extreme as they were at the 2017 top. So scaling is not yet an issue in this cycle.

My Short Term Outlook

Nevertheless, I have to note some things I don't like.

I don't like the apparent loss in momentum in the middle of a parabola, makes me nervous. I don't like that the ATH above $60k mid-March didn't hold. I don't like bitcoin's correlation to risk assets and the stock market in particular. That correlation has lasted six months now and counting. And as I mentioned in my last update, I don't like the tone of the market, i.e., its reaction to what is ostensibly good news on many fronts.

The loss of momentum in recent days gave me pause about the short term, and I know from experience, no two bull markets are the same. Besides, if everyone is looking at the same map, that could also be a problem.

I left my short and medium-term outlooks neutral because I really don't know what's going to happen next.

The market could still grind its way up to $66k before a correction, or it could be ready to correct now, and if it corrects now, will it just be a normal 20-30 percenter back to the mid to low $40k's, or will it be all the way back to $25k? Or will it just go straight to my target high for the year at $100k, which I didn't see happening until closer to the end of the year after a period of consolidation? Certainly, there are a lot of weak hands in the market. By that, I mean investors that are just speculating, and buying for the short term wins. That's where the market is vulnerable aside from its correlation to the big markets. Regardless of the uncertainty, because of how bullish I am, we are not reducing our 20% allocation to the TCV crypto portfolio, and in fact, if we get a correction, I may just increase it to 25% because of how difficult it is to rebalance such a winning sector.

If you are trading, it might make sense to short the market, but two qualifications. (1) keep your stop tight and stay disciplined, and (2) keep your downside expectations modest and take profits relatively quickly.

I will be happier once we lose the correlation to the stock markets and hitch our wagon back to gold, and the dollar story. That may take a more choppy market for now, and maybe a few trees shakes. For now, the dollar is a bit of a headwind for gold and may become one for bitcoin, especially if the stock markets get hit hard.

To read the rest of the update, click here.

Endeavour Silver - March 25, 2021

Endeavour Silver is now part of the TSX composite index and GDX ETF, which is one reason the stock price is up over 20% since the August peak in gold. The company has sold two non-core assets, the past producing El Cubo mine and the Guadalupe y Calvo exploration project.

El Cubo was sold to **VanGold Mining (VLGD.V)** for $12.5 million in cash and shares upfront, $2.5 million in promissory notes, and up to $3 million in contingent payments. The property is in close proximity to VanGold's El Pinguico project, which could potentially use the El Cubo milling facilities, making this a win-win deal for both parties. And, Guadalupe y Calvo has been optioned out to **Ridgestone Mining (RMI.V)** for $3.25 million in cash and shares plus $0.75 million in work commitments over 4 years.

We always like to see management deal with its non performing assets. Endeavour is now focused on production at its three operating mines - Guanacevi, Bolanitos and El Compas - taking the Terronera project through feasibility, and exploration at its Parral project in Mexico and Paloma project in Chile.

In 2021, the company expects silver equivalent production of 6.1 to 7.1 million ounces at an AISC of $19-$20/oz Ag, generating about $16 million in earnings at $25/oz silver. That's a welcome improvement over 2020's sub 6 million ounces in silver equivalent production. However, it still has a long way to go to recover the peak production years of 2011-13. The stock certainly isn't cheap at 50 times forward earnings.

But none of the silver producers are that cheap. Pan American is trading at 10x 2020's earnings but when we bought it in 2019 it was trading at almost 80x their expected 2019 earnings. In the silver shares we have been chasing them at a premium for a couple of years now. The retail physical market suggests that the market price should be higher than what's traded in futures markets. The key thing about a company like this is to be able to foresee if it will be able to grow into its valuation. Comparing multiples with PAAS we could assume that the market is pricing Endeavour at around $35 silver. But Endeavour probably has more scope for growth. We bought this company because we know Cooke and his team are capable promoters and exploration geologists with many discoveries in their past. It's good to see them rationalize their assets rather than simply issue more shares or debt like many companies tend to do.

The 2020 PFS on the Terronera mine projects an after-tax NPV (5%) of $277.3 million and after-tax IRR of 53.9% using a $2000 gold price assumption. The project would add annual production of 5.1 million silver equivalent ounces over 10 years at an AISC of $2.1/oz on a by-product basis. The pre-production capex is a very manageable $100 million.

The market is likely pricing some of that into the share price as well.

Cascadero Copper - March 22, 2021

Cascadero Copper Corp has been trading at the 3 cent level for some time. It is still too cheap to sell, and in fact, given the situation and what is priced into the market (failure), it is still a buy, at least up to a nickel.

The company's fate is in the hands of Lorne Harder, Judith's brother. Judith ran the company with her husband Bill McWilliam before they both passed away. I came in to help the company through its rough patches late in 2014 and 2015, and once certain risks were cleared, I recommended it in the letter at a nickel.

The campaign started well enough. We helped them raise a million dollars to drill their low grade bulk tonnage Cesium target in Argentina, the largest known undeveloped target in the world amid an absolute scarcity of viable Cesium deposits. But the story devolved into infighting about board control just before they both passed away. Afterward, there was some jockeying among the biggest shareholders for new control.

I understand differences have been worked out with Cascadero's JV partner, Regberg, and Mr. Harder has also brought back Dave Trueman and Bruce Downing, as well as Ron Bilquist, *as technical advisors to the board*. Trueman is a world renowned expert on Cesium deposits, Downing is a geophysicist (geoscientist), and Bilquist is one of the geologists that has been on the ground at their properties off and on since 2006.

Bilquist was one of the guys who discovered the $1 billion Lindero deposit that Fortuna Silver, one of our holdings, is putting into production now. Cascadero has had its AGM, elected its new board, cancelled about 16 million shares, and is in the process of restructuring its capital right now (debt settlement and financing).

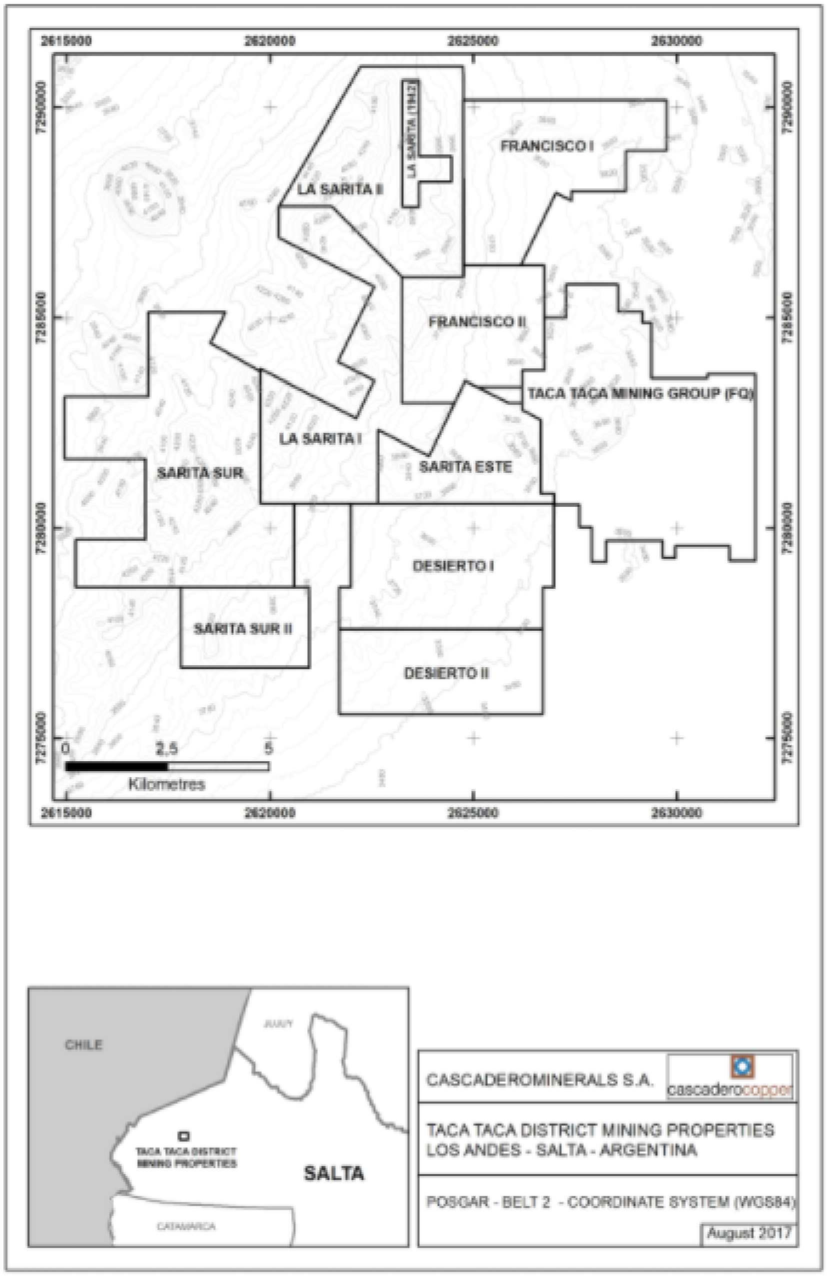
There are a few pieces still missing that have to fall into place before it can realize the value of those assets that I still think have great potential. But the main risks to this deal are *geopolitical* - I don't know which way Argentina is going to go on foreign mining capital - as well as *share consolidation*, and additional *dilution*.

I'm on guard for a rollback because the company never replied to my email asking if that was part of the restructuring deal they worked out with the exchange to allow them to price the financing below a nickel.

I'm also on guard for a potential vendor of lower quality assets that may help them get their hands on cheap shares in a transaction that may be large enough to dilute present shareholders noticeably if my concern is right. The bright side is that at least it would provide incentive for the new shareholder to do something with this thing, and the likelihood is that the assets would add to the Cesium side of the mineral balance sheet.

Recall that they have a 70% interest in a subsidiary shared with Regberg (30%) that controls 27 mineral properties in North Argentina (primarily Salta) with multiple metal targets including Cesium, copper and gold. The cesium story is really cool in that there is no long term supply for a market where demand is on fire.

The cesium industry is therefore living off stockpiles and byproduct from other operations. And I know it's controversial, but one of the new uses that is emerging for Cesium is in the production of 5G components. So the metal is promotable.



Although I like the Cesium story a lot, I like the gold story even more. More on that in a moment.

First, the missing pieces. They need a CEO who can make deals and raise capital. And they need to figure out a capital plan to fund their projects sustainably. And then they need to execute the first part of that plan, which is to raise the capital to move forward. The current financing is just a survival line and bridge, they will need to raise at least a couple million, and make some deals on some of their elephant size gold and copper prospects. Now for the most exciting part of the story for me.

The Taca Taca group of claims that essentially surround the $3.5 billion Taca Taca copper-gold-molybdenum project in Salta province of Argentina, 100 per cent owned by First Quantum Minerals Ltd.

Cascadero's previous CEO, Chairman and Founder, Bill McWilliam, and other members of the management team had long ago discovered that First Quantum never planned for the waste on their project properly, and would have to buy the necessary real estate from Cascadero to put that mine into production. As you can see in the graph here, Cascaero's claims surround the Taca Taca group on one side, and on the other is a cliff, and salt fields.

McWilliam played poker with First Quantum's people for a while, until it was too late to make a deal. I would be surprised if Lorne wasn't aware of the leverage. It is true as far as I could glean, at least based on the prior technical reports. The latest technical report writes that the western edge of the ultimate design pit "*encroaches slightly onto the 50% concession Mina Francisco 2. This amounts to 1.7 Mt of ore at an average grade of 0.38% Cu (for 5535 tonnes of recovered copper) and approx. 47.5 Mt of waste*".

Either way, the claims have great potential, and the team has already mapped and sampled them enough to have generated several targets. Hopefully they are smart enough to follow up on this scent.

From First Quantum's point of view, they only have one porphyry in relatively new terrain. Heaven forbid should Cascadero find an even bigger one on the next door claim. I've spoken to porphyry experts, they all know that these things occur in clusters, and that First Quantum has only one so far on unexplored terrain.

It just hasn't prioritized exploration in Argentina, so nothing has moved forward there by their hand.

But they've been busy negotiating with the government and deciding on a global scale where to invest their capital, and which mines to start up.

In November, First Quantum filed a National Instrument 43-101, Standards of Disclosure for Mineral Projects, technical report titled "Taca Taca Project, Salta Province, Argentina." The report documents an updated mineral resource model and a significant maiden mineral reserve estimate derived from an open-pit mine design and plan, which contemplate processing throughput of up to 60 million tonnes per year through a conventional flotation circuit with a mine life of approximately 32 years.

The company says that a decision to proceed with the construction of Taca Taca is expected in 2023 or 2024.

However, something very interesting happened at the end of last year that I've been meaning to mention.

A new company that began trading at under C$1.50 on the TSX-Venture exchange on October 1st, **Nova Royalty (NOVR-TSXV),** with just 38.5 million shares issued and outstanding, had acquired a 0.24% NSR (net smelter royalty) on the Taca Taca mine, for approximately $12.75-million (U.S.).

That's the porphyry owned by First Quantum that I mentioned above! In the days leading up to the announcement they bought a portfolio of 9 royalties from Transition Metals for a fraction of that amount, so it was clear that it was the Taca Taca royalty that catalyzed NOVR's move from the C$1.80 level up to where it is now, after basically tripling. What's more, on January 11th, 2021, the company decided to increase that royalty to 0.42% for an additional $16 million in cash and their recently inflated shares, and as you can see in the graph, that was what catalyzed the move to $6. Indeed, they are its biggest transactions.

What this means to me is that the market is taking that project seriously enough to value a 0.42% NSR at over $200 million. It's a big project. Again, the geopolitics makes it hard to call. But if the market is willing to assign that kind of valuation to an uncertain bet like that, what would happen if Cascadero drilled into gold or copper on one of its satellite claims? The stock might easily scream to 50 cents? Or maybe more?

The market cap of this deal is basically $5 million CAD.

At 50 cents it would be a $100 million company, but we know that a good drill result can do that easily.

If they raised some money and began to advance one of those targets it could easily recover 15 cents.

First Quantum would get nervous.

Any one of its 70% owned targets could be worth hundreds of millions. The risk reward here is still good. I just don't know how to handicap the risk of a rollback and further equity dilution, or Argentina's politics.

At these prices though, at a minimum I still believe it deserves a 1-2% allocation in our gold stock portfolio.

Cameco - March 18, 2021

Cameco's share price has been on a tear, lately. After gaining 50% in 2020, it is up another 43% year to date for a total 121% gain on our entry price of $8.72 on August 31, 2019. The shares have handily outperformed the uranium price itself, which was up 21.1% in 2020 and is actually slightly down this year. For comparison, the **Northshore Global Uranium ETF (URNM)**, which tracks the uranium sector, is up approx 50% ytd.

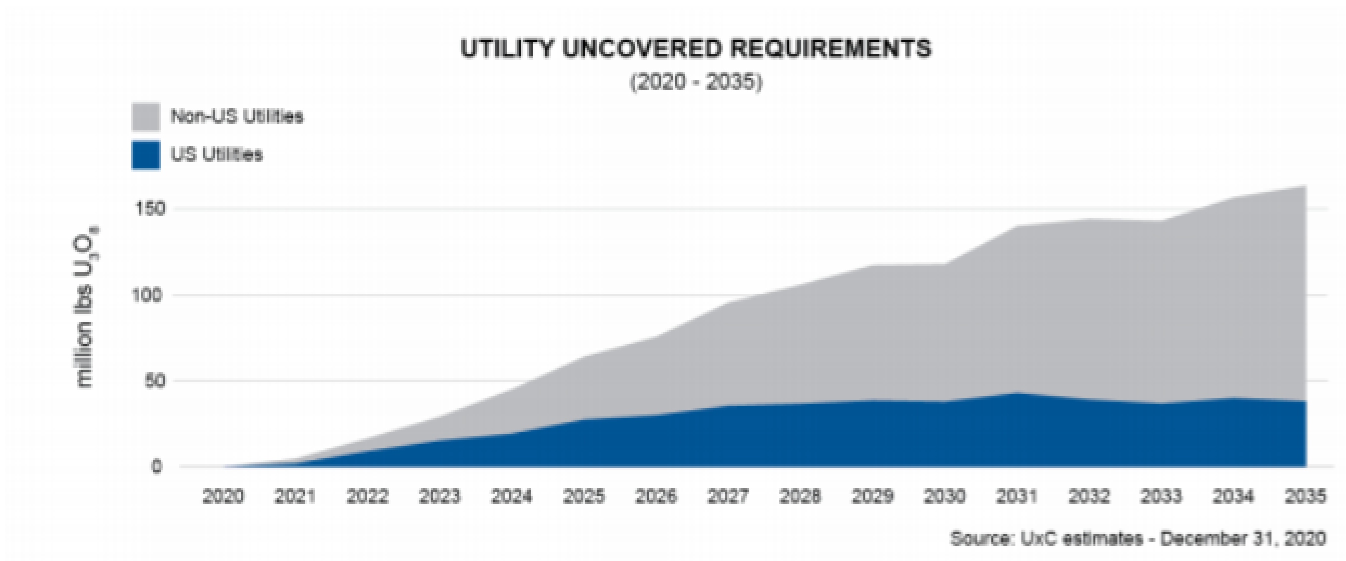
We have covered the major news in the uranium market in our recently closed uranium swing trade.

Since then, we have seen few other bullish factors emerge:

- The Russian Suspension Agreement (RSA), which imposes a quota on the import of Russian uranium products extended to 2040. The RSA was tightened to reduce the amount of Russian uranium, conversion and enrichment, supplied to the US over the long-term, thereby plugging several loopholes (December 2020)
- Cigar Lake restarted in September only to shut down again in December for indefinite duration while Cameco increased its uranium purchases in the spot market to make up for lost production (December 2020)
- The Nuclear Regulatory Commission proposes licensing nuclear plants in the US for 100 years. Under current terms, the license is granted for 40 years, with renewals every 20 years. Bank of America publishes a bullish report highlighting the added uranium demand this would bring about (2021)
- The US Army is taking an interest in funding rare earths plays on US soil. There is speculation that uranium might also get considered a strategic priority. After all, nobody wants national security to be compromised by those Russians and their nuclear enrichment capacity! (ongoing)
- **Yellowcake plc (LSE:YCA)**, **Denison Mines (DNN)** and **Uranium Energy Corp (UEC)** signaled their commitment to purchase a total of 7.6 million pounds of uranium in the spot market

The additional demand is certain to deplete excess inventory in the spot market, *which means we are now in a full fledged bull market*. For years, this day has been awaited by uranium bulls and now it is firmly here.

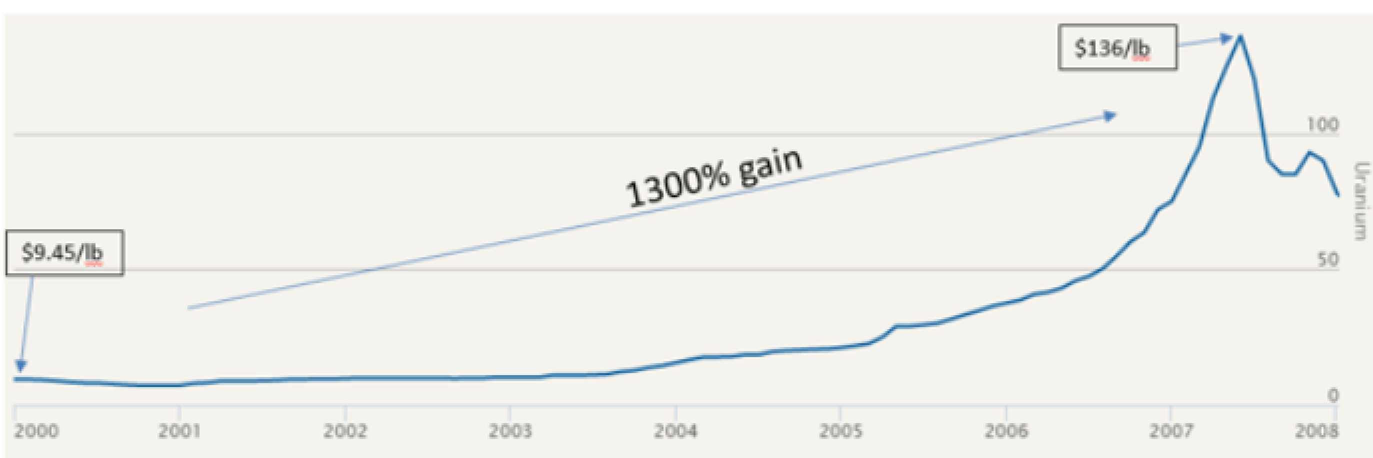
The Uranium Story - a quick recap



The world currently has 443 operating nuclear reactors, with another 52 under construction. According to UxC estimates, *cumulative* uncovered requirements are about 1.4 billion pounds U3O8 equivalent to the end of 2035. That's the forecasted reactor demand not yet covered by long-term contracts. UxC further reports that over the last five years only approximately 390 million pounds U3O8 equivalent have been locked-up in the long-term market, while approximately 815 million pounds U3O8 equivalent have been consumed in reactors, further proof that utilities have a growing gap to fill.

With mine supply falling, traders and the miners themselves picking up the excess inventory in the spot market, utilities have an imminent need to negotiate long-term purchase agreements. Most analysts estimate that uranium miners need uranium prices to stay above $60/lb in order to be profitable. This would suggest that the long term price will continue to rise from the current $34.5/lb to at least $60/lb if this plays out as expected. The destruction of the dollar, which has accelerated since the plandemic, has ignited a new commodity bull market in many commodities.

Recall what happened to the price of uranium in the last commodity bull market from 2000 to 2007:



Cameco Valuation

Cameco is the largest, publicly listed, non-state owned uranium miner, which makes it a go-to name for institutions looking for exposure to the uranium space. The company is capable of producing 28 million pounds annually, about one-sixth of world production, which gives it significant negotiating power.

As you can see below, the current stock price is attractive taking the long-term price assumption of $60/lb, which appears to be conservative, according to consensus estimates by other analysts in the space.

Uranium price assumption	*Net income*	*Forward PE*
$60/lb	$408.8 million	19
$80/lb	$817.6 million	9
$100/lb	$1226.4 million	6

The last uranium cycle saw prices rise to $136/lb, coincidentally (or not), when Cameco had to shut down Cigar Lake due to flooding. While a correction/consolidation in the shares is likely after such a solid run up, it would merely present a buying opportunity for our buy and hold strategy given the upside we still see ahead.

Remember that commodity producers tend to trade at high earnings and cash flow multiples early in the cycle and low multiples at the later stages of a cycle, making it all the harder to judge value that way.

That's typically the market being efficient about looking ahead.

What we can tell you is that from 2001-07 while the long term uranium contract saw prices rise from $9.45 to $95, Cameco's stock price rose from a post split price of around $2 per share to about $50, a 25-fold gain.

The current upside probably will not be as great, but a return to $50, and maybe onward to $100 is not out of the question for these shares in the years ahead, especially if the market moves back to favoring nuclear.

Bitcoin - March 14, 2021

BTCUSD	SHORT TERM 0-3 MO	INTERMEDIATE 3-18 MO	PRIMARY 18 MO +
TA TRENDS	BULLISH	BULLISH	BULLISH
MY OUTLOOK	NEUTRAL	CAUTIOUS BULLISH	BULLISH

In late February, as the market was just breaking out on the Elon Musk news, I painted several scenarios with my favorite one being that we would steadily grind through the $50k level and then run straight up to about a $66k short term target, then we would have a heavy correction that would last several months, and take us all the way back to $33k, before we went on to my 2021 target high of around US$100k… or $120k, if I stretch it.

In my last update on Feb 26th, after reviewing some of the fundamentals, I said "*We still might see one more push into the $60k region, but it might be time for a break in this bull after that*." This is happening now.

The numbers here are kind of arbitrary. There is no metric that can give us a hard value.

It comes down to how many people the network can accommodate without running into a scaling limit.

Everyone is trying to game that right now, essentially.

Hardly a day goes by when another billionaire hasn't bought a hundred million worth of bitcoin. The news flow has been very bullish. The institutions have come for it. Wall Street has come for it. The ETF's will all be out soon. I remember when the gold bull market started back in 2001. The World Gold Council research guy contacted me to brainstorm about a new kind of gold linked vehicle. They were looking for a miner willing to issue a gold backed financial obligation. But none were dumb enough. The WGC ostensibly wanted to figure out how to make gold and silver more accessible to investors. There were already a couple of holding or trust companies trading on the exchanges but gold bugs weren't satisfied that you don't own your gold directly in such a situation. Owning allocated gold or owning it in your hands was akin to cold storage for your private keys in crypto. You don't want to give up your keys. When the GLD gold ETF eventually came out, backed by the WGC, the gold bug community criticized it for using the Bank of England as a vault, even though the ETF went through great pains to satisfy their demands that the gold be allocated. The same concerns exist in the world of cryptocurrencies as various ETF's are about to be approved. It will be controversial. And the thing is in markets, we learn by trial and error. Situations like Mount Gox, the DAO, Quadriga hurt, but also make the market stronger.

Bureaucrats would do even worse. At least error isn't rewarded in the market. I bring it up because there will be things that happen out of left field because this is a new and emerging field that we are pioneering. And its growth has rivals, remember that. Nevertheless, controversies and pitfalls aside, the ETF approvals will be for crypto what they were for gold and silver, a portal for the average investor. It won't matter that it is a superfluous, and moreover, dangerous way to own crypto. The whole idea was that you don't need a middle man. It is a "trustless code", remember. Not true with gold, unless you want to store it all in your backyard and carry some around every day. What's my point? My point is that the ETF's came just as the gold bull market got going in 2005 and pushed it up fourfold in the ensuing 6 year period as the strong dollar policy of the nineties was destroyed by GW's Iraq distraction and the burst of the previous tech bubble in 2000. Fourfold for gold at that time meant trillions in market cap additions to its 2005 dollar price.

It is likely at this point that the bitcoin bull market has years to complete even if we see a huge blow off followed by another large correction first. We are definitely close to that. The ETF approvals could well usher in a top of some kind owing to the level of excitement in anticipation for most of the past year or more now.

In an upcoming report, I'm going to be comparing the forward looking returns of bitcoin to gold and silver, which will surprise many people. But you can't forget how far we've come from when it traded at $3k.

I am not calling a top. But then, I am. Only, not a lasting one. Just a healthy correction to keep the weak hands away. We are only a few months into 2021 and it has already blown past the low end of the range for my target for the year ($50-100k). I'm as excited as you. But who needs a huge spike and collapse followed by complaints from noobs that drag in the regulators. Keep those woosies out with more frequent corrections.

My short term outlook is neutral and my intermediate outlook is cautiously bullish. This means that I see the chance of hitting the high $60k area in coming weeks and months but am beginning to see downside as well.

The biggest factor on that latter point is that while it is an anti dollar play and spent most of last year and the year before taking turns tracking or leading gold, since September it has been a risk asset correlated with the stock market. It has become frothy. And obviously a lot of establishment folk have come into our sandbox.

I am very bearish on the stock market, and I believe it will be the control for bitcoin's next lasting correction.

Don't panic out of your bitcoin or crypto. That's not our message. Don't hesitate to build a little cash though for the unexpected dips, one of which I see on the horizon, but not with enough conviction to go all out and then back in. To be sure, when it comes to historic bull markets, the trick is not to get bucked OFF too early.

We are willing to ride this out and if you don't have our recommended 20% allocation, don't wait too long.

Fortuna Silver Mines - March 11, 2021

Fortuna Silver (FSM) reported 2020 net income of $21.6 million, or 12 cents per share, down 10% over 2019. The results were affected mainly by a 54-day forced shutdown of the San Jose mine in Mexico, which resulted in 22% lower metals production while increasing its AISC by 23% at the mine level. But travel restrictions made it tougher on operations everywhere. The loss in production was partially offset by *pre*-production at its newly commissioned Lindero gold mine in Argentina, which contributed 13,435 gold ounces in 2020.

Trouble at Lindero?

The Lindero gold mine is expected to be the next growth driver for Fortuna. The mine plan calls for production of 1.3 million gold ounces over a 13 year mine life at an AISC of $802/oz. Annual production is expected to be around 150,000 ounces in the early years, which implies more than a doubling in overall company wide operating cash flow. The mine has been in development for longer than anticipated as it has run into several challenges. Pre-production capex ballooned from the original budget of $239 million to $372.1 million (and counting). Construction began in September 2017 and commissioning was originally expected to be complete in Q2 2019, but was eventually completed in October 2020 after multiple delays.

This is not including the delays budgeted for in the original announcement. According to the Lindero technical report filed by Fortuna a month *after it began construction,* construction and pre-production was supposed to take only one year, ergo the mine should have been up and running by October 2018.

In the latest news release, the company states that, *"At the end of the first quarter of 2021, the Company will provide an assessment on the status of the ramp-up to commercial production [at Lindero]."*

Probably the best news in that statement is that they are not calling it a “reassessment”.

Nevertheless, the company has not been forthcoming on declaring commercial production, which is basically where the company declares that everything is operating well and we are ramping up to the production plan.

We have been watching Lindero’s development closely. Fortuna is a well managed company. We bought it for its silver assets originally. Lindero is a small open pit mine. Big tonnage but low grades, and relatively short mine life for the capex required. Existing mining infrastructure in Argentina makes it mineable despite that.

Since the capex is sunk, we see them going forward with the project.

However, the dragging on of a declaration of commercial production and last month's announcement that Simon Ridgway, the company's founder and current Chairman, has resigned and given up his Board seat, gives us pause for some concern. It is not enough to make us want to get rid of this company, but it is just enough to convince us that it might be wise to buy a little insurance. Due to Argentina's restrictions on travel, mill commissioning had to be completed by company personnel on site, with only remote assistance from the vendor's technical team. This is an unusual practice to begin with. Also unusual is the news that the company is simultaneously working on expanding its heap leach pad capacity and ADR process plant capacity earlier than originally anticipated. These moves make us feel like there is more to this story than we currently know.

The Q4 2020 conference call is scheduled for Friday 12 noon EST.

Hedging with put options

We don’t want to be the only ones screaming fire in a movie theater when there is just some random smoke where the evidence of a fire should be, but is nevertheless hard to find in the public documents. And it is a good company with a strong balance sheet. They have enough liquid assets on hand to pay off all their debt.

One of the reasons we have created a diversified portfolio of miners is to protect against the risk of any one company or mine underperforming for whatever reason. Maybe we’re reading too much into this situation and the best course of action is to sit tight. If, however, you have overweighted this stock or are concentrated in it, then it might be wise to consider buying a little bit of insurance just in case we get bad news on Friday.

The miners have had a good correction and I am more of a buyer here than a seller, and I’m not going to recommend selling Fortuna on these concerns. And if anything is going to be revealed, chances are it will be revealed on the conference call this week. So if you just want some really cheap short term insurance then the best thing to do is to buy the March 19, 2021 $7 Puts at 40 cents or better. That will protect more than 95% of your current position value in FSM until next Friday's option expiry -at a cost of ~5% (the option premium).

Alternatively, you could buy the April $6 Puts at about the same price, which would protect your downside below about $6. The trick is that in the March puts the premium has already collapsed so it won't collapse much further but the April puts are in that duration point where the premium collapses sharply. So I would not buy the April puts unless I was really bearish on the sector and on the conference call this Friday.

A final alternative as far as keeping it simple, at any rate, is that you could buy the June US$5 Puts at 35-40 cents, which would cover about 60% of the loss down to $5 if the news was that bad.

Or you could ride it out. It could be that Friday's call will just be the belated announcement everyone is looking for, the declaration of commercial production. If you don't own it yet, maybe put off your buying decision until next week, we may put out a further update if warranted.

Newmont - March 9, 2021

Newmont reported 2020 earnings of $3.51 per share, down from $3.81 per share in 2019. The earnings hit was due to margin compression on the back of 9% lower production than the original forecast due to the covid shutdowns at Yanacocha and Cerro Negro. The direct and indirect covid related costs added up to $383 million, or 48 cents per share. Notwithstanding these difficulties, operating cash flow hit a record high of $4.9 billion, or $6.1 per share, up 70% from 2019 levels.

As you can see in the outlook below, the company is guiding investors for a rebound in production in 2021 and moderate growth in the later years as its expansion projects come online. By 2024, Tanami Expansion 2 will add 150-200,000 gold ounces per year while Ahafo North will add 300,000 gold equivalent ounces.

Five Year Cost and Production Outlook (+/- 5%)

Guidance metric	2021E	2022E	2023E	2024E	2025E
Gold Production* (Moz)	6.5	6.2 - 6.7	6.2 - 6.7	6.5 - 7.0	6.5 - 7.0
Other Metal Production** (Mozs)	1.3	1.2 - 1.4	1.4 - 1.6	1.4 - 1.6	1.4 - 1.6
Total GEO Production (Mozs)	7.8	7.5 - 8.0	7.7 - 8.2	8.0 - 8.5	8.0 - 8.5
CAS*** ($/oz)	$750	$650 - $750	$625 - $725	$600 - $700	$600 - $700
All-in Sustaining Costs*** ($/oz)	$970	$850 - $950	$825 - $925	$800 - $900	$800 - $900
Sustaining Capital* ($M)	$950	$900 - $1,100	$900 - $1,100	$900 - $1,100	$900 - $1,100
Development Capital* ($M)	$850	$1,000 - $1,200	$900 - $1,100	$200 - $400	$100 - $300
Total Capital* ($M)	$1,800	$2,000 - $2,200	$1,900 - $2,100	$1,200 - $1,400	$1,100 - $1,300

**Attributable basis; **Attributable co-product gold equivalent ounces; includes copper, zinc, silver and lead; ***Consolidated basis for gold*

On a valuation basis, Newmont is still cheap at a Trailing Twelve Month (TTM) PE of 16x and P/OCF of 9.4x relative to the 38.9x PE sported by the S&P 500. The guidance suggests a forward PE (2021) of 8.6x and P/OCF of 6.3x using an average gold price assumption of $2500 for the year. With a dividend yield of 3.88% (more than double the S&P 500 dividend yield of 1.53% and current 10-year treasury yield of 1.59%) and a $1 billion share buyback program in place, the company is going to return a lot of cash to shareholders while continuing to grow organically through this gold cycle.

Don't forget to own it as a core blue chip likely to outperform gold.

EMX Royalty - March 7

EMX Royalty Update on Timok project in Serbia

Backgrounder, since we haven't updated EMX in a while. I have followed this company since 2009 when it was still under $1. Some of my clients participated in a few financing rounds in those days, up to about $3.

The company was already an advanced explorer when I came upon it. It was taken over by David Cole and his cadre of Howe Street whales that included names like Rick Rule, Peter Brown, and John Tognetti.

Cole was a former Newmont geologist who toiled for them in several executive positions around the world, mainly as a "*generative exploration geologist*", ending up in charge of its exploration programs in Turkey.

Back in those days, it was still easy to find and consolidate good resource properties like Giustra did for Wheaton River, a model that many promoters tried to copy later with much less success.

Similarly, seeing the bull market in metals coming, Cole was able to steer Eurasian (which later changed its name to EMX Royalty) into many high profile *exploration* targets. Not only in Europe but in many *frontiers* around the globe. What I liked about Dave besides his awesome resume and contact base, and how reachable he is, was that he was determined to find a model for exploration that could sustain itself without having to constantly rely on new money from its shareholders, like most exploration companies, even those that try to be prospect generators. The company did try various models before it settled on the concept of a royalty generator, with a few large strategic interests that are typically funded by the other side.

A royalty generator basically works like this. It finds and sells entire prospects for cash, shares, and a royalty, thereby creating a royalty that didn't previously exist. The only thing is that the projects are not producing yet so the value of the royalty is up in the air until they are in production. At one point the company had more than 100 prospects, many of them marketed as the *kind of projects the majors wish they had*, which I believe was true. The projects were district wide or regional to be sure. And often in never before or rarely explored regions, like Haiti, which is full of potential, although caught up in the usual socialist stupidity.

Sometimes instead of a royalty it will retain a JV interest of some kind, as it did in the Malmyzh copper gold porphyry project in Far East Russia when it sold its ~20% interest in the project for $69 million.

The company still hasn't earned a profit or positive operating cash flow but it is sitting on over $70 million in cash and liquid assets, has seen revenues grow to about $5 million per year, and has accumulated a bunch of early stage royalty assets over the years that could start paying off in a bull market cycle.

In its most recent announcement, we see both an example of the kind of value just one of these assets can offer and the risk of dealing with them at this stage of development.

EMX said that it had filed a technical report on the Timok copper-gold project royalty in Serbia where the company "*holds an uncapped 0.5-per-cent net smelter return (NSR) royalty on Timok's Brestovac licence, which covers the Cukaru Peki copper-gold development project*", as well as additional royalties on adjacent zones and properties. EMX *purchased* the royalty in 2013 for about C$200k, but it was one of those deals where it had originally generated the royalty, and it went through one or two different owners.

EMX's actions follow news that the latest owner, Zijin Mining Group Co., Ltd. ("Zijin"), has declared that it is proceeding with commercial production in the second quarter. But Zijin has not made any information available to EMX despite several requests by the company so it is unclear if they are accepting or contesting its conditions. EMX has the legal ability to prove it owns the royalty legitimately, noting that,

"*The Royalty Agreement contains a provision for the reduction of the 0.5% NSR royalty rate under certain express and specific circumstances. After a thorough review of the Royalty Agreement and based on certain publicly available information, EMX does not believe that the circumstances which would have triggered a reduction of the royalty rate have occurred and therefore the royalty rate remains at 0.5% of NSR. Furthermore, there is no mechanism for the royalty to be reduced in the future.*"

The project covers a 10 million ounce gold equivalent gold-copper deposit that could produce enough of an income stream to double EMX's current revenues and put it into the green.

We modeled the NSR over the 10 year mine life from the 2018 technical report, which needs to be updated, at discount rates of up to 10%. Our informal calculations produced an NPV of between $30 and $40 million.

That's 40-50 cents per share.

EMX has kept its share capital in check. It hasn't raised new capital in years, primarily because of the big cash infusion mentioned above in the Russian property sale. Obviously in light of its ~$275 million market cap, and an earnings deficit, this deal alone is not going to help its valuation. And if you read between the lines, I think management is saying there is a risk they may have to fight for it, because Zijin isn't answering calls.

Hopefully that won't happen. But if it does, it'll just be a buying opportunity. This group knows the law and rules of the royalty game. But until Zijin sends a check or formally validates EMX's existence, there will be some uncertainty. If it shows in the market, again, we have to see that as a buy. I like EMX for the long haul and for its evolution into the big leagues once its development royalties start paying off.

Meanwhile, the company and its partners are working on proving up various battery metals projects in Scandinavia, which should provide positive news flow in the immediate term.

Good trading!

Ed & Kashyap

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