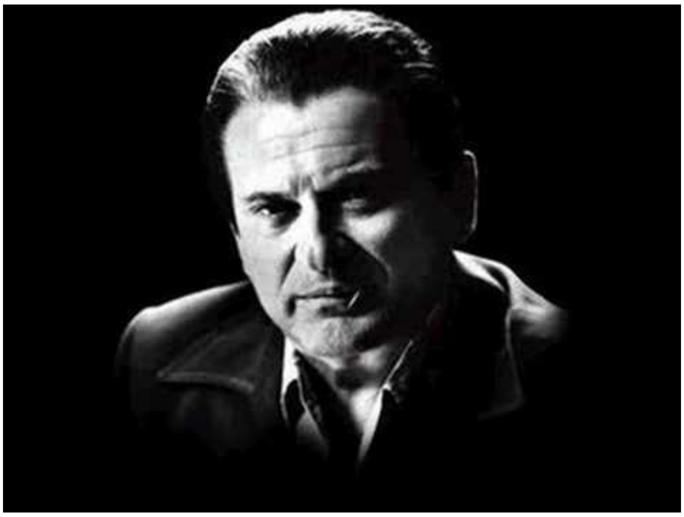
2019 Lessons Learned



A dull title, I know.

This is a personal exercise which I believe will have some lessons you may recognize for yourself. A smart man learns from his mistakes, a wise man learns from the mistakes of others. So there you go, a chance to be the wise guy.

2019 was another year of learning (does it ever stop?) in the resource investing space.

Edit: *Some context as I got several inquiries. This was written with specific owned equities in mind. There are many more lessons to be learned, these ones stood out for me personally reviewing my personal portfolio this year. I'm not a trader nor a professional investor. I speculate in junior mining exploration plays. No (day)trading, no producers, no market caps >500Mil. My overall year was flat as I'm more geared towards copper plays*.

Additionally, I collected some of your lessons learned on Twitter right here

- **Sell the priced/hyped plays before the follow-up holes are released**. Nothing worse than having too high market hopes. Companies can play their part in setting the correct expectations. This includes not releasing visuals before assays, good for nothing.

- **Time is money and thus valuable**. Wait till a shell secures a flagship asset and has clear plans & money to advance it

- **You can't copy someone's conviction**. Complex stories need a longer deep dive to build conviction. You need to be able to assess any (negative) news yourself.

- **Don't romanticize take-overs.** Take-overs take time & not all TO's have a hefty premium. Check what % of NPV it's trading to get a better idea of a potentially realistic premium. TO's are mainly attractive as an exit point for large positions

- **Know when to leave the party**. When the pump machine enters, it's time to go to the clerk room, get your coat and call it a night. You can always revisit on a quieter evening

- **If management can't sell the story, who can?**

- **Stay very critical of any 'future' potential improvements**. Easy ones would have been incorporated upfront and delays & cost overruns can cancel out any additional savings.

- PEA/Scoping study: **Conservative metal prices & correct discount rates** are a first give away of the intentions of management. It's a paid for study, read it as such.

- Although warned before, **the lead/zinc market is a hard one**. Stay out unless rare opportunities present themselves

- **Having only one real exit strategy can backfire**

- **Don't take pride over cutting loses**

- **Inconsistencies in the story should alert you**

- **Serious exploration takes resources.** Time, effort, misses, flexibility, set-backs, technical issues, money, permits, etc. Project mgmt. on a high level with limited resources, my hats off to the team(s) pulling this off.

- **Complex plays are harder to sell to retail**. Many retailers looks for stories they can understand & explain to their buddies after a 10 min pitch. This threshold can be used in your advantage if you put in the work & have the required patience

- **Take everything you hear/read with a grain of salt**. Cliché as f* but true nonetheless

- **Look at the numbers**. Talk is cheap. Special thanks to @PamplonaTrader for sharing many of his assumptions & calculations.

- **Take the cash, keep running**. Accelerated projects luckily still exist. Example: Adriatic Metals. IPO till today is a mere 1.5 years. 2020 plans to bring a second resource estimate, a PFS & a BFS. IPO till BFS would be an unbelievable 2.5-3 years.

- **Global investors are lazy**. Example: Adriatic Metals again. ADT has a Bosnian asset managed from London and trading in Australia. This proved too complex for many, despite the world-class assays hitting the market on a regular base. It took me just a few hours to find a broker who could trade on the ASX, fill out the paperwork, wire over some money and collect a (virtual) x2-3 in 1y time

- **Sell when the market believes**. I had a nice +50% in a few weeks, on the rumours/hope of a TO. Profits eroded over time as we are back to waiting mode

- **Entry/Exit is and remains very hard to time**, so often I don't bother & just "buy at free will". BUT I've learned to **not just ignore the TA guys** anymore. Nor to buy on strong green (gold/copper/silver/…) days.

- **Use the market conditions.** Example: Minera Alamos. The MAI warrant overhang was the ideal situation to build a position at around 10c. Today we are x2 without much sweat

- **Appreciate transparent management teams.** Looking at you Doug Ramshaw & John Black. I could add several others that are so kind (& smart) to reach out and are available on social media for questions, discussions, general market comments, etc.

- **Don't bother too much trying to understand the Uranium market** (or BM & PM market for that manner). At most, listen to the real industry insiders & know their incentives.

- I'm not interested in stories that need higher metal prices to make it work aka '**optionality plays**'(You're lucky if the company itself identifies as one. Many don't bother to tell you).

- **JV's with majors need to be in the junior's best interest**. It's nice to show-off your trophy wife, I guess it wears off quickly. Look for strings attached, hard timelines, underlying intentions, etc.

- *Addition:* **Spend less to no time on trolls and negativity**. It's not your role to educate them or defend your position. Spend time with those with real arguments, that's a part of testing your DD.

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I spoke a bit about using leverage to overcome these last two handicaps. I'd like to add here that it's also your responsibility to keep learning about a sector if you intend to put some of your cash to work in it. Nothing comes for free.

One way of doing so is to listen to some sector specific podcasts, I made a quick overview here. Others are sector specific books, online articles, online videos. I feel this warrants a separate post as there are many good sources out there. I'll leave it here for now.

Cheers, Pete