Marin Katusa: How To Play the Gold Bull Market

January 9th 2020

Erik: Joining me now is Katusa Research founder, Marin Katusa.

Needless to say, the gold market is really, really heating up, folks. And I don't mind admitting on the air that I was wrong at the end of last year. I really thought we would get down to probably $1,420 or so before eventually this market really took off, which I've always expected that it would.

And, sure enough, true to form, gold has broken out of its bull flag formation a lot sooner than I expected it to. And it looks like we're off to the races.

Marin, let's start with the big picture on gold and where we stand with gold. What do you see coming? And, particularly, right now we've got a lot of geopolitical risk with Iran and everything else going in. Is it possible that this breakout is a false alarm and we really are still headed back down to $1,400 or lower?

Marin: Very possible. Erik, you nailed it on the head. This is extreme volatility. Nobody knows which way it's going. If you look at some of the charts, COT's, different type of charts, we're at all-time extremes. We're kind of at all-time, like 30 years, where the shorts are piling on, the retail is piling up. This can really go – it's one tweet away from really going which way or another.

How I've been positioned, ourselves, is focus on the best companies that are economic sub-$1,100.

Now, could gold go back to $1,200? I hope it does. Remember, I'm a long-term player here. I would love it if gold went – I doubt it, but could it go to $1,460? Or, like you said, $1,420? It could over a six-month period.

But then, like we saw now, something could happen and it sparks up. Do I think the sub-$1,000 gold days are behind us? I think something extreme would have to happen to see that. But I think we're going to be in a very volatile $1,400 to $1,650 market here for the next 12 to 18 months.

Erik: Now, how are you guys navigating this? Because I know that you and I both thought a year ago that gold probably had lower to go before this was over. And, unfortunately, we were both proven wrong.

Have you guys stayed out of the gold side of this market? I know you've been doing uranium deals and other stuff. Are you still investing in gold? Not recently, but back when we both thought gold was headed down.

And how do you manage that dichotomy (if you will) between a market view and at the same time wanting to be true to a longer-term strategy?

Marin: I have to use lower gold numbers for my economics. I can't be using spot market prices, because that's just the way economics works when you start applying discounts and all that. So, first off, I'm one of the largest financiers in the gold space, not just in the juniors but across the world. So that's the first thing.

So even though I say, hey, expect lower prices, we have the top performing index in the industry. We're also one of the largest financiers in the industry.

So some of the biggest names that you and I have talked about on your podcast here, like Equinox with Ross Beaty – we were the largest investors into that company other than Ross Beaty – and Mubadala. I am, myself, a top-ten shareholder in the company personally.

My subscribers get into it at the same price as myself. Whether it was Nevsun, Pan American, B2Gold, these are all multi-billion dollar market cap companies.

These aren't some crappy junior that trades by appointment that has some moose pasture somewhere with a hope and a dream and a geologist with a box of crayons. These are producing companies of precious metals. And, if you use a gold equivalent number, has to be economic under $1,100. And that's where I positioned ourselves in it.

And some of the companies we've talked about are up over 100% year to date. These are big moves on multi-billion dollar market caps.

Now, regardless of whether gold goes to $1,450 – let's say it drops $125 from where it's at today – the companies that we're positioned in are still cash machine generators because of the projects that they have and –

Let's take Equinox. In three years, it went from zero production to next year it will be a million-ounce gold producer, which will make it the 17th largest gold producer in the world. That's public and private companies. And that started in my office three years ago.

That's never happened before as a company, to go from zero to a million in three years. And that's because you back people like Ross Beaty, a very close friend of mine. We had a coffee yesterday morning and he is just excited. He's so focused on this.

So stick with the best people, Erik, with the best project.

And, early on in my career – I want to talk about the political risk because our game is so risky as it is. Mining is so complicated. Why make it more complicated in jurisdictions that are a great story for a newsletter writer to jump off and go into the jungle and find? When the reality of it is, that's not how you make a big score.

Believe it or not, a lot of the big scores are right in front of you, projects in the US.

For example, Erik, if you look at the discount rates that the analysts use for places that I call AK47 places – whether it's in the Congo or other parts of Africa or South America or even Russia, it's the same discount rate that they're applying in the Great Basin in Nevada or Idaho or Utah. Does that make sense to you, Erik? It doesn't to me.

So if these projects are discounted already, because people aren't paying attention to them if they're producing in the US, and, on top of that, they're being valued at the same discount rate to something in the Congo, I think I have an advantage to focus on politically stable jurisdictions that have a respect for the rule of law.

So that's kind of my game plan. I'm staying away from sticky jurisdictions, sticking to solid management teams, skin in the game. And, because the gold market has been so down – for example, gold is touching (what?) $1,570 and change – but the gold equities are down. So there is a lot of profit taking in here.

So the market is telling you that the equity holders are taking profits and expecting gold to pull back. You might want to listen to that.

And if you're in some positions that you're not truly passionate about, or a really strong conviction – To me cash is still king. And you can't buy things on a major discount if you don't have cash because you don't want to be selling something when there's blood in the streets.

You want to be a financial predator and taking advantage of it.

Erik: Marin, I know the gold deal that a lot of our listeners followed you into was Nevsun. And, I think it was the first time that we interviewed you, I think you either mentioned that in the interview or it was in your newsletter at that time.

I just want to hold you accountable to that. How did our listeners and others that invested with you in Nevsun do in that investment?

Marin: Nevsun was both in my newsletter and we mentioned it – at the time you were, like, what's one of your strongest convictions? – on your podcast. So within a couple of weeks, your listeners were up well over 50%. And then about six months later it was well over 100% gain if they stuck around.

I don't know what your guys did, but in our portfolio it was a massive win for myself personally, and in our newsletter.

And there is a perfect example of what I'm talking about. So many people thought, ah, Serbia. And I have to explain it. I hold a passport of Croatia. If you understand the history between Croatians and Serbs, they are not really the most peaceful history.

And it wasn't a big deal. This was a place that I could take my daughters to. I visited many, many times.

In fact, the geologist who discovered it – the deposit at Timok – the team was led by Miles Thompson, who is a personal friend of mine. So I was a major financier earlier. It sounds like a quick, wow, this Marin guy came on the podcast and, within a few weeks, I made 50%. That was a story that – I was a big backer in 2008 and 2010 and 2011. You have to have a longer-term vision.

But, now, the Nevsun was a big score where, if you can make a couple of hundred percent over a few years, that's the way you want to play it. World-class assets in a country that is misunderstood like Serbia, which I don't feel is at all a risky place. Yes, there was a war there 25 years ago, but it's very different now.

And that's part of the boots on the ground. It's why I visited over 100 countries. You've got to put your time into due diligence.

But that's the market where we've just locked in another huge gain on Pan American Silver. People don't realize that it produces over 500,000 ounces of gold a year. Even though its name is Pan American Silver – it is the world's second largest silver producer – but to lock in a 70% gain in less than five months on a multi-billion dollar company, that's some very strategic thinking.

And the way we did it, Erik – I want to explain my strategy. I'm not like your typical newsletter where I say this month we're going to buy this and this month we're – no-no, that's not my style.

I say, look, I just visited these projects. Here is the whole report, 20-page report. Here is the video of me at site. But, look, I really like this company. I think if there is more market volatility we could pick it up.

And on Pan American, we had to wait (I think it was) about four or five months. I call it alligator investing. You just sit back like an alligator. And when the price came to us, we gobbled it up in a big fashion, Erik.

And that was a big score for us. Because to make a 70% gain in less than six months on a big cap, to me, on a risk-adjusted basis, is better than making three or four times your money on a risky junior. Because of the liquidity factor, the stability of the production, the free cash flow, the yield, and all of these different factors.

Like, Pan American has no debt on their balance sheet. So these are the type of things that I positioned ourselves into this market.

And if you are going to play a junior, anyone listening to this – now, I'm not here to lecture or dictate, but I am one of the largest financiers in this game and I know pretty much everyone in the business – stick to a management team whose cost base is the same as what you're getting it.

Look at the structure of these financings. And also look at the liquidity.

It's easy to buy into these juniors. It's kind of like the Hotel California song: You can check in, but how are you going to check out? How do you sell this? That's a key factor.

So be very careful in which juniors you speculate in.

Erik: Marin, you just mentioned Nevsun and Pan American Silver, which clearly you hit some real home runs there. I think it's important to not just focus on where the big wins were.

Now, in this world that we live in where it seems like active management has become passé and everybody just believes in index funds, a lot of people would say, look, you might have hit a couple of really big home runs with a couple of plays there. But, over the long haul, the research, the academics say you're better off to just go with an index and not try to pick individual stocks.

So, by that logic, our listeners would be better off taking GDX, which is the gold miners' ETF, and GDXJ, which is the junior gold miners' ETF, figure out some balance point between those two in terms of ratios for how much junior exposure you've got.

You've got two positions, you don't have to read a newsletter or do any more work, and there's incredibly liquidity in those ETFs. So it's really, really easy, as you said, to get out of the Hotel California any time you want.

You're the guy who says no to that. You're rolling your eyes saying, you're just leaving money on the table.

Can we quantify that? If we take the approach that you take of individual stock investing, what you've recommended in your newsletter, and compare that to the performance, let's say in the last year, of GDX and GDXJ, how the numbers stack up?

Marin: Look, Joe Foster, who runs VanEck, we're co-investors on deals – sometimes we're on the opposite side of a deal, sometimes we're partners in a deal – they're doing a good job.

And for many people, Erik, I think investing in the GDX or the GDXJ is the right thing. If you don't – it's kind of like there's no point of owning a membership to a gym if you're not going to go. And that's the way to look at a GDXJ and GDX majors.

If you just want a small percentage of exposure to gold and you're going, okay, I'll go two-thirds major and I don't want to think about gold for the next five years, invest in them. That's the way to go.

But if you want to educate yourself, if you want access to true wealth creation and – you know what, in all fairness to the GDX and GDXJ, they haven't done that great over the last three years if you actually look at the whole chart.

Over the last 12 months, they've done great. Gold is up 18%. The GDXJ, which is the risky one, is up 39%. The GDX, which is the more stable, is up 38%. So that right there tells you that the R between mid-tiers and juniors versus the majors isn't quite there. You're not getting paid yet to own these riskies that are higher-risk juniors and mid-tiers.

But my index, which is all audited that you can go and look at every single report I've ever done, is up a little over 90% during that same time. That's for the last 12 months.

But let's go since the inception of my newsletter, which is July of 2016. During that time, GDX and GDXJ are kind of breaking even. And we're up a little over 42% during that time.

Now, you might sit there and go, okay, that's only three and a half years. Did you just start at the right time? No, I've been doing this for almost 20 years. Remember, I managed all of Doug Casey's money and his family trust, so I was the kind of key guy at the previous firm I worked at for 16 years.

So how do you do this?

Well I don't believe you should own 30 stocks. So there's another mistake of – I call it the newsletter junkie world where they're following six or seven different newsletter writers. And these newsletter writers are armchair analysts and every month they have this new great story.

Well, they're in the business of storying. A lot of these analysts aren't even allowed to own their own stock. I think that's insane. Why would you ever follow someone's recommendation when they have no skin in the game themselves.

What I do, being one of the largest financiers in the industry, is, hey, how can you get in like the insiders, like Joe Foster?

Let me explain something very clear here. GDX and GDXJ, they are also a major financier to participate and are usually the leads to many financings. Just like Eric Sprott (a good friend) is also.

So you have to understand the index.

And I look at it going, well, why not be an alligator? I don't need 30 stocks. What about just eight to ten stocks? And I sit like an alligator like, for example, how we picked up B2.

B2 Gold has this phenomenal world-class asset called Fekola. It truly, truly is.

The definition of a world-class tier-one deposit is it produces over 500,000 ounces of gold a year, has at least 5 million ounces of reserves. Remember, reserves are economic at the specific price, a slight discount to the market of the current spot price of gold. B2 has that.

I've known Clive Johnson for 15 years. In 2011, we went to the Super Bowl together and hung out for a weekend. Great guy. His management team are super smart.

Now, let me explain something though. I waited six months like an alligator. And our publication talked about it every month and said just be patient. Don't chase it. Don't be like the market. So we were the opposite of an index fund.

A lot of people have to realize that GDX and GDXJ, when they're trying to buy a stock, they cause the price to go up also. So you're not always getting the best price. But for B2, we're up over 80% in less than six months of owning the stock.

And I haven't yet taken what I call the Katusa Free Ride, meaning taking all of my principle out, because I do believe that it's going higher because of the quality of its deposit. They're just hitting great numbers and making a lot of free cash flow.

So that's kind of my strategy, Erik, and that's the track record there.

Erik: Okay. Hang on a second, Marin. Because, obviously, 90% in the last year is amazing. Congratulations, first of all.

But my job here is to both be skeptical and to make sure we call a spade a spade. I know a lot of what you do at Katusa Research involves getting involved very early-stage in private placements in deals which are not yet public, which means you don't have the liquidity that you would have on a GDX.

So I'm assuming, when you're talking about 90% return on your portfolio, that's including your private placements.

What if we looked only at those things that are apples to apples, actually listed securities that I can sell on a moment's notice with the click of a mouse?

Marin: Let me really explain this. When I'm talking about all the gold stocks, the index, to make an apple-to-apple comparison – private placements, I know it sounds like it invests in private companies. We've only done one of over 15 private placements that was actually a private company. Then it got listed. That wasn't even a gold company.

That 90% does include two private placements of a publically traded gold company. Ironically, if I take those two private placements out, my index would actually be over 100% of gains. The private placement was at a bit higher price, so it pulled back my index gains.

So, of just the publically listed that you can sit in a car and buy on your discount broker, our gains would be over 100% over the same time that GDX and GDXJ made 38% and 39% gains.

But let me explain what the phrase private placements – what that actually means is almost 99% of all my private placements are of publically listed traded companies. Even though it's called private, the stocks aren't private. They're listed.

The reason why it's called private placements, a legal term – or sometimes they call it special warrants – it's a way to get your full allocation in a transaction with the company or a broker who is financing it. And then you don't chase the stock in the market.

For example, on Equinox where all my subscribers got in and we got a full five-year listed tradable warrant, you tell the company, hey, I'm Marin, I want a couple hundred thousand dollars of this, and then they fill your slot. You don't have to go into the market and buy –

And you get a certificate, that's a private certificate. You take that to your broker and then you get free trading shares after the restriction period of four months is over. All private placements have a four-month hold unless there is a short-form financing associated, which it then becomes free trading, which we've also participated in.

Did I answer your question there, Erik?

Erik: Let me make sure I understand this. If my choice is I can either invest in GDX to just get index exposure, without thinking about, it to gold miners –

The approach with you, you're saying, even if I don't want to get involved in illiquid private placements, if I just want to buy stocks that I can buy at the click of a mouse with any discount broker, there is a symbol for it, you can buy it on exchange and you own it in your brokerage account, and you're done.

How does that structure? That's a list of stocks that appears in the KRO newsletter each month?

Marin: Correct.

Erik: And that changes presumably –

Marin: Yes, exactly. So, for example, let's say BTO (that's the ticker symbol B2Gold). We're up over 80% on it and now it's a hold. So I'm telling people I'm personally not buying at this price. So we're holding. But I'm not selling either because I think it's going to go higher.

But when it was a buy, I said just stay back, relax, buy it under $280 Canadian. And a lot of time it was trading at $302, $305. And for a couple of months people get frustrated going, well, Marin, I subscribe to your service because I want to buy now.

Well, you need patience. You can't just go and – it's not like you're at the grocery store and you need to feed yourself today. Speculating and investing in these stocks, you have to be patient and wait for the market to come.

And then, for about 35 days, you could have bought all the stock you wanted at our buy price. Now it's at $5.30.

So that's the style of my newsletter. We have a whole list of current, active, actionable buy stocks. Then there are the ones that we've been filled on, and then they're in the holds. Then I have my watch list.

For example, here, Erik, I'll give you one that I think is going to be bought out: Pretivm. It's run by a guy that I got to know really well, Bob Quartermain. I personally think he's one of the best guys in the industry. He's a great guy. And his deposit is so high-grade, they produce just under 400,000 ounces of gold a year.

So that's a good, good project. Not yet quite a world-class deposit. But it's definitely a – it's too big for any mid-tier company.

So here is my speculation on it. I tried to finance this company when it was going public in 2010. I ran into Bob Quartermain at the airport. I wanted warrants. He didn't. He was able to finance without warrants. He won. No big deal.

I sat along on the sidelines. And now we've been able to pick up our position and my subscribers were up on it. And I also said, hey, if you want to be strategic, I think it's going to get bought out north of $18 Canadian.

Now, if you're a major like Barrick, Barrick has tax losses from its previous acquisitions of mines that they bought 15 years ago, 10 years ago, end on their balance sheet. So Barrick now can apply those tax losses to the production if they take out a company like Pretium. So there is an advantage for a big boy like Barrick.

Now, secondly, this project, it's so variable in grade. One quarter it will be 8.8 grams per gold, which is very high-grade. But the market expects it to be 10 grams. Now, the variability between, say, 9 grams and 10 grams doesn't sound that much. But it's a big difference on the financial balance sheet because this is an underground mine. That's too volatile for a one-mine mid-tier company.

But, for a major like Barrick, it's not a big deal. It's just a good-built mine in a politically stable jurisdiction – it's in Canada.

And there is an asset that for many months over a year I was talking about, wrote it up. And now we just got filled on it before this big pop in gold before Christmas.

And I also say, hey, for those who like to trade options, this is what I am personally doing on the options side and how you can get a two-for-one bang.

So I think even though the stock price – I think it's going to get bought out at about 35% to 40% premium to where it is now. If I'm right, and you want to play the options, you'll get paid about 70% gains.

So there is also the option angle that I talk about in the newsletter. We did a short on a natural gas company, Erik. And, in less than 60 days, we locked in for all of our subscribers over 150% gains on the short, using options.

So that's also a strategy we talk about in the newsletter for more sophisticated newsletter subscribers. But it's not – it's like an extra feature of, hey, there is this opportunity. I am personally doing this, at this price. If you like it, here is the report and you can play it.

Erik: Okay, Marin. So what we've discussed so far – you've got a list of stocks which, instead of investing in something like a GDX or GDXJ, the people who follow your newsletter are investing directly in the stocks that you recommend.

That's all the public market stuff. You can do the whole thing with a discount broker, with E-Trade or TD Ameritrade or whatever you've got, at a click of a mouse.

Your firm also gets very heavily involved in these private placements, we call them in the United States. In Canada, I guess you call them financings.

The tradeoff there is, first of all, it's only available to accredited investors but there is an advantage that you're effectively getting a liquidity premium in addition to whatever you'd otherwise be making.

Explain how that works and what the appeal is. Why would somebody want to get into what, frankly, is a more complicated transaction? It doesn't give you instantaneous liquidity. You've got to wait at least months, sometimes years, before you're able to sell out of an investment like that.

Why would I even consider something like that?

Marin: So, let's start with the private placements.

I've only done one private placement of a company that wasn't public. That was Uranium Royalty Corp. It's now public and listed and trading, so people can –

But that was about a 16-month hold for that one. That was the longest hold period we've ever had in the newsletter. Usually speaking, it's a four-month hold for private placements on the Canadian listed markets.

Now why do you want to do this?

First off is you get – generally speaking, the financiers are called underwriters because if the stock is, say, at $1.20, the maximum discount you can get is at 20%. So they'll discount the price to attract capital. So that #1.

#2, because the resource market has been so underperforming over the last decade, you're able to get things like a half warrant or a warrant. So what I ended up doing was creating something that Rick Rule calls the Katusa Warrant, which is a full five-year listed and tradable warrant.

We've done it on Equinox, we did it on Northern Dynasty – which you and I have never talked about, but it was 18 times your money, and that's not included in our index there for the last 12 months. And you get these listed tradable warrants. We've done it on Uranium Royalty Corp.

So all these aspects –if you look at the discount to the market plus the kicker of the warrant, it's just a better way to speculate in a risky market.

Now, yes, you have to be accredited. And, #2, it takes more effort. You actually have to pick up the phone and either phone your broker to get the stock for you or you call the management team yourself. But all the good things in life aren't easy.

And it's not that hard. Initially, I'm sure people would be intimidated by calling a company and going, oh my God, I'm talking to this company. Well, remember, these are just management guys. They're just normal people. And they actually love talking to the subscribers because they get a sense of what the subscribers want.

#2, filling out the forms is a pain in the ass. But it's like filling out any other form. You do it, you send it in, and then you wire your funds. So, yes, it takes a little bit of more effort than buying in the open market. But it's how you supercharge your gains, Erik.

Erik: Okay, Marin, hang on a second. Because, on these financings, I know it is regular and normal in the industry for brokers like yourself – you're raising lots and lots of money for these companies that you're organizing these financings for. It is normal for brokers to get paid commissions. Kickbacks, essentially.

You go to huge lengths in your newsletter to – you put it in writing all over the place – I don't get paid anything for this. Help me as a skeptic here. As an investor, my job is to be skeptical.

Why should I believe that you would, in a business where it's normal and usual for people in your position to get a commission from these companies, why would you be foregoing that and not getting paid anything?

And why would you be, as you're putting it, on the same terms as your newsletter subscribers when you don't have to be? You can get a better deal as a broker. What would motivate you to do it this way?

Marin: A few things.

First off, I work for my subscribers and they pay me a lot of money – and I've got thousands of subscribers – to find the best private placement deals. Now, the business usually was an investment banker gets hired by the company to fly around to all the funds, like myself and all the big guys like Eric Sprott (and we talked about the GDXJ), to pitch the deal. And it was those terms.

Well, it was a price-maker market.

When the market got down, I realized that, hey, I can actually take advantage of this market. But I can't just do – I can't finance these companies all by myself.

So I created this newsletter and this huge following. And then I could go to these companies, cut out the banker, cut out the broker. And then we get better terms.

For example, to get – Equinox, today, is the 25th largest producer of gold in the world. Ross Beaty has invested over $200 million of his own money into the deal. He's the chairman.

For me to be able to get a full five-year listed tradable warrant is unheard of in the business. But, why? We brought over $160 million to that deal, Erik. I took zero, not a fucking penny out of that deal.

And I've had the regulators look into it because they can't believe it. No one's done this before. Ross Beaty is like, nope, we never paid Marin a penny.

That's how I'm able to get better terms, because the finder's fee that a regular broker would get on $160 million would work out to be over north of $10 million, Erik.

And I'm saying, screw that. Let it go to the in-the-ground and lets us, the investors, get better terms. And that's how I'm able to get the full five-year listed tradable warrant. And I'm doing it right now on another deal.

Now, I'm not trying to make enemies of the brokers. I'm trying to coexist with them. But if a broker didn't bring a deal to me, and he didn't do the research, and he didn't do all the stuff that I'm doing, why should they get paid for it?

Now, if a broker brings me a deal and he's done all the work, yes, I have no problem with them taking a finder's fee.

But what I've realized is almost all of the deals I've done, I've generated the ideas and research from my 20 years of relationships in the business. That's how it's done. And that's just what it is.

It's kind of like publish or perish. A lot of people go, well, why the hell, with your financial net worth, do you even bother writing a newsletter? Well, it's kind of like a university professor. You publish or you perish.

By writing all the time, I'm able to attract companies.

And, literally on Christmas Eve, I was in my office with my team. We were working. I got a phone call from a guy who needed a short-term – he was in a jam – his company needed some cash on a really strategic advantage. I said, sure, let's talk about terms. He said, okay, I'll meet you on the 30th at your office. We agreed to the terms.

And it's by them knowing that I'm able to move quickly. I'm not some huge bank that takes three months to go through all the bureaucratic change. And I'm the lead order personally.

We've done it on a few deals. Whether it was Uranium Royalty Corp or mCloud, all of whoever in your list or my list of subscribers have subscribed to are big up. Their gains are up substantially. And the market hasn't really even truly taken off.

So that's kind of the strategy of why I'm doing it. And that's how I've become one of the largest financiers in the business.

Erik: So this is a power play for you.

And there is something for you in it, which is you walk into a CEO's office in a mining company and there's a bunch of other brokers there and they are each going to get their percentage, their whatever. And you just walk in and say, look, I've got enough capital with all of my subscribers behind me that I can pull down this entire deal right now. Let's make a deal and I don't need to get paid anything. I'm going to get the advantage of negotiating better terms for yourself –

Marin: In addition –

Erik: And bring your subscribers along with you.

Marin: Correct.

Erik: And you end up –

Marin: In addition to what you're saying, is when gold was $1,600, $1,700, $1,800 in 2010 and '11, the bankers were able to do something called bought deals, where they would guarantee these companies that.

That kind of ended in 2013 when a bunch of firms got hung, meaning they got stuck with a bought deal, and then they used some legal loopholes to weasel out of a bought deal. So bought deals are very rare.

And now they realize that, financing with me, it's always oversold. So there is no risk to the financing not being completed. For example, the financing that you and I talked about, the mCloud one, that was three times oversold.

Just to give you an example, Erik, the three largest financings ever on the Canadian Junior Exchange all happened to be my financings. So this is bigger than the biggest brokers in the business combined, because of the power of bringing accredited investors together.

I'm like a financial warrior where, why should a broker get paid for something that they're not even doing? Now, if they bring me the deal, okay, fine. I'll pay you. And that's how I create peace with the brokers.

But they're not out there, like, I'm heading out to Saudi Arabia in April. They're not going out to these places to find these deals with who is going to do the next joint venture with Saudi Aramco.

I'm on the road nonstop. And I do that for my subscribers. I bring my film crew and I do all that. And it's a way for us to get better deals together.

I can't emphasize this enough, Erik: My subscribers get in at the same time at the same price and they get to sell before I do. So, like, on Nevsun, they sold before I did. On Pan American, they got to sell before I did.

So that's my strategy and that's how I've become a power player in the business.

Erik: And that's the way you can get away with charging full price for a newsletter. The other guys who are getting paid commissions, they've got free newsletters because they want to bring anybody along that they can.

I want to come back, though, to Universal mCloud, because that's one that I've been really perplexed by. Marin, your whole career, you've been Mr. Natural Resources, primarily precious metals. When we see you do a deal like Uranium Royalty Corp, okay, you did an excellent interview on this podcast a year or so ago, explaining the case for uranium. It's a natural resource. It makes sense.

But mCloud is a cloud computing company. How does a natural resource guy get to doing a private placement for a cloud computing company? What's the connection here?

Marin: Well, first, they're going to do over $80 million in revenue. And a lot of that comes from the oil patch. As the market got soft in the sector, sub-$70 dollar oil, people have to innovate.

And I was the first guy, I was one of the founders of a company called Copper Mountain, third largest copper producer in Canada. Our advantage was I kept pushing the envelope. Jimmy and I spearheaded what we called the – we were the first smart-grid mine in Canada, using an electronic dispatch system with little tweaks –

Like, for example, do you know how the standard way for a truck operator in an open-pit mine to get the signal – he doesn't know if it's ore or waste. The shovel operator honks once for ore and honks twice for waste to go to the dumps.

Now, first of all, think about this. Is it loud? Yes. Is the guy probably listening to a podcast? Probably. You're not talking about super-focused or intelligent. I'm not trying to be an asshole here, but truck drivers aren't on the high end of the spectrum of skin-in-the-game kind of factor.

Well, I said. This is insane. And I've got a hearing problem in one of my ears. I go, was that one or two? Because there was a blast that happened on the other side of the – there's three open pits there – and I go was that one or two? And they're like, oh no. That was one. And the other guy is like, no-no. That was two.

So then I created a spreadsheet and I go, wait a second. We're like 7% off of our production. Well what happened was, we found, just like at most mines, that if a guy goes to the dumps three times in a row, what does his mind want to do naturally? Go the same route.

So some of the ore was being dumped into the waste dumps and some of the waste was going to the dumps.

So we created a dispatch system electronically that alarms the guy – and the truck operator does not talk to the shovel operator anymore – it's all done electronically now. And if he's going the wrong way, the GPS unit alarms him and says stop. And it will shut down the truck and go the right way.

Something as basic as that improved the production of 7%, or the equivalent of three trucks.

Well, these three trucks – you're going, what's the big deal, a pickup truck? Well, actually, these trucks cost about $4.8 million US per truck. Tires go at 40 grand a pop. They go for, if you're lucky, 2,500 hours. You need six per truck.

But it's not just that. You're talking about three truck drivers. Remember, the mine operates 24/7, so you need double that, six guys. On top of that, you need an extra guy in case one of them gets sick.

And then you talk about the maintenance on those trucks.

So you think about all the cost, you save about an extra $15 million by just putting in something that costed less than $1 million. We were the first in North America to do that. Now it's becoming common.

Unscheduled down time is a killer in the resource schedule. And I looked at it as, what mCloud was was the intelligence of things. Everyone talks about the internet of things. In my mind, I always looked at it as the intelligence of things.

How can I go in and quickly repair a pump? You know, people don't realize that the pumps and all of things that you take for granted are some of the biggest electrical costs. Well, if it's not running –

Like an Hvac system is the biggest cost for a Starbucks. You think, what the fuck? An Hvac? Yes, blowing air. Or in a casino, you've got to have fresh air for people. They don't want it stuffy.

But these things were built 20 years ago. So now if these well heads and all these different pipes, if they are able to be monitored and properly, the intelligence is to say, hey, something is not running well here. Or if a fuse box has issues.

These are all the types of things that mCloud has exposure to and companies wanting to eliminate these unscheduled, unplanned downtime, which is the biggest killer to their bottom line. That is an intelligent thing, it's been proved out, it makes money.

And look at that stock right now. When we talked about it on your show, you could have bought it under $4 a share. We financed it, very oversold. The debenture is in the money, it's trading at a huge premium. It's trading at over 20% premium in the market right now, but we're getting paid 10%.

It was the first ever exchange where your unit in the debenture converts into a share and a warrant, because it's my style.

And there is a financing going on right now in the company also that explains the advantage my subscribers are getting. It's a $4 financing that you get a share and a half warrant. So, instead of the full warrant like we got on the debenture, you get a half warrant for five years at $5.40, Erik. And the stock is trading at $5.70-$5.80 right now on the market. But everyone on your show and all my subscribers, we got filled under $4 a share.

Erik: Wait a minute, wait a minute. Not everyone on our show. It was your subscribers, and our listeners had the option to subscribe. But you wouldn't tell our listeners on the air what the deal was unless they subscribed. So let's be fair on that one.

I want to come back to this, though. Because I am still, Marin, utterly baffled by this.

If what you had just told me was, okay, we did a financing six months ago and it was at $4. And what you got was the share and the half warrant. And today you could sell that share for $5.80 and you could probably sell the warrant for another 50 to 60 cents. So you go from $4 to $6 in only six months.

That would sound like a great return.

But, as I understand it, that's not what you're saying. You're saying you can buy more at $4 right now. You've still got the ability to do more private placements at $4, which is a share and a half warrant. And, because of the liquidity rules, you're not allowed to turn around and sell it the next day. You've got to sit on it for four months.

But if you're willing to sit on it for four months, what is now selling at upwards of $6 you can buy for $4 and wait four months and sell it. And you're talking just the market risk that it might go down between now and then.

Marin: I sent out the alert on the first Wednesday of January, January 2, and our subscribers are doing exactly what you just mentioned. Correct.

Erik: So, I mean, what doesn't really add up to me here, that sounds like a risk-free arbitrage. I can buy something for $4 and effectively sell it for $6 almost at the same time.

You're not allowed to take those shares that you just bought and sell them. But I would think a creative trader could figure out how to hedge this.

You go into one account and you short the stock and you buy it in the other account and you end up taking all of your risk off and you end up with a risk-free arbitrage. Is that really true? Am I missing something there?

Marin: It's not 100% risk-free because there is always the risk the stock could blow up tomorrow or the market could all go down. But, essentially, yes.

And I'm the largest investor in this current financing also. I believe the stock is going higher. So that's why – I'm not buying it because the true value of the stock right now with that warrant is over $6 and you're paying $4. I'm not buying it just purely based off of that speculation, or arbitrage as you're calling it.

You are correct, that's exactly what we're doing. But I think it goes a lot higher from here.

Erik: And, again, just to summarize: The reason that you're in this, it is a technology company but it's basically a technology company that solves a whole bunch of problems that companies that you have invested in are dealing with in the resource sector. The example being the guy that's banging on the truck.

You've got monitors on oil wells, on mining rigs, on everything else, that are basically making this whole very antiquated business model of how mining and oil production work, and they're modernizing it with internet of things sensors and so forth.

Marin: Let me give you an even better, simpler example, now that I think about it.

Let's take someone like Saudi Aramco. They've just done a massive IPO, floated the company. Whether it's a little bit above or below $2 trillion is irrelevant. The fact of the matter is, when Chevron went in there back in the day and built up all this infrastructure, over 90% of their existing infrastructure was built before the year 2000.

Now, we saw in September what happened. Whether it was the Iranians or whoever sent the missiles in, it was down for three months.

Well, imagine now you have real-time data – I'm talking military-grade designs in real time – that you can pull up and you can shut down the pipes where it is affected to eliminate the fire. Or, more importantly, know exactly where the impacted area is.

Because now – and 20 years ago, they didn't have that all digitalized to the accuracy – what bolts, what pumps, what valves, what washers. That's the accuracy. We're talking about military grade. And the company mCloud already has that.

Think about the solution to someone like Saudi Aramco that this does. Or other oil wells. They just announced that they're opening an office in the US.

Well, gee, why is the stock ripping? Well, the management are hitting all of their targets and they're aggressively expanding and they have the capital to do so. So this is – management and insiders own 43% of the company at the cost base that myself and my subscribers invested in. It fits my formula; it fits my framework.

And there will be a time that we sell the stock. I just think it's going to be at a lot higher price, because this story hasn't even – other than a couple of guys like you and a few other friends of mine that are interested in what I'm doing, this is a relatively unknown story.

Erik: Now, is this going to be a new thing for you, Marin? Because it seems to me like you're onto something.

You took something you know a lot about, which is the natural resource investing sector, and you said, in what respects are these companies getting screwed? They're spending millions of dollars to mine ore that's hopefully full of gold out of a mine. And then they're dumping it in the trash by mistake because they didn't listen to how many times the guy honked the horn. You're taking a problem like that and you're solving it with technology.

And, when it sounds like you came across a technology company that you saw as a solution to a lot of your investment target companies' problem, you said, hey, I want to get in on this. I don't want to just recommend this company to the companies I invest in. I want to be involved in owning the company that's providing this technology.

You know a lot about a lot of problems that mining and natural resources face. Would you see yourself going to look for more technology companies that do other things to, I don't know, advance this space or change it in a way that would allow you to profit both from improving the performance of the companies you already own and at the same time owning a piece of the company that is creating that solution?

Marin: We have a dozen guys, analysts, here at Katusa Research. One guy just solely focuses – he was actually a former calculus student of mine. He's a brilliant, brilliant mind. Sadly, Erik, the truth is, even though I have a guy focusing on this, so many of these technologies should only be a service.

Like, it's a cool service, but they're so focused on just one thing that it's not something that I would invest in. But I would use their service or I would recommend their service to a mine that I know has those issues.

The difference with mCloud is it has a portfolio. Or call it a suite of goods. It's like Office: It has Excel, it has PowerPoint, it has Word. It has all these different factors.

It's a suite of goods for the oil patch. It's such a unique story in the, what do you want to call it, the intelligence of things or the internet of things. It's a really unique story. And, although we spent three years looking for this, I have found only one that we've actually physically invested in.

So I would love to say, yes. But the reality is it's very rare.

Erik: Marin, we're almost out of time and I wanted to focus today's conversation primarily on gold and natural resource because it's what's hot right now.

But we also have quite a few MacroVoices listeners who have followed you into Uranium

Royalty Corporation based on your uranium interview that you did, I think it was a year ago now.

Give us a quick update. How did that IPO go? I think the IPO is now public, so is the stock trading? How did people do? I think it was – the first batch of MacroVoices listeners on the first interview you did got in on the private placement in URC at a dollar.

Where is the stock trading now? How did the IPO do? Give us the update.

Marin: The stock went public and trading in, I think it was the second week of December. So, just before Christmas. So everyone got their certs. You should have. If you haven't, contact the management.

And I've got to give credit to two guys who really stepped up big. First of all, obviously, Amir Adnani, the chairman of the company. He personally stood up and said I'm going to invest in 10% of this personally. And then I said, well, I'm there. And there's another very good friend, mentor of mine, you know him well, Rick Rule. And the three of us said, we're so into this. We believe in it so much. And Rick personally put up also $2 million.

So we each said we're going to do this $20-million financing. That's what the amount was supposed to be, Erik. Because of the excess demand and the use of proceeds and some strategic potential that they have, it was over three and a half times oversold, and they raised the financing or the IPO to $30 million, a little over $30 million.

It was the largest resource IPO of the year in the industry. So it's done very well. Combined right now with the warrant, it's $1.55. The shares are trading at $1.20. So the IPO is at $1.50. And you've got a full five-year listed tradable warrant that is trading right now at 35 cents. So everyone is happy.

It's still early days. But I do expect some large transactions on the company in the first half of this year. So I'm very long. This is my play on uranium.

Just to emphasize, my whole cut-to-kill strategy that I think Russia and the Kazaks are doing – and I don't see uranium popping big this year.

Hence my whole strategy of Uranium Royalty Corp is the NAV of companies. The net asset value of a company is trading at less than .2 of its NAV, so it makes no sense for these companies to dilute their equity and their shareholders at such a discount to NAV.

And that's where a company like Uranium Royalty Corp, which is the cheapest royalty company out of any royalty company listed, they have all this cash, they have no debt, they have about $40 million of equity able to invest in these companies.

So it's a solution for the uranium companies so they don't dilute their shareholder. And it's a great win for the royalty shareholders because they get access to the best assets in the best jurisdictions at – uranium is $25 a pound right now.

That's when you want to buy royalties, when the price of – the equivalent of gold at $400 an ounce. That's how you win if you've got a longer term strategy. That's my strategy on Uranium Royalty Corp.

Erik: Now, obviously, the best deals were for the people that followed in on the private placement at a dollar. But, for any newer listeners that we have who may be interested in this uranium space, is URC still a buy at current market prices for people who missed all that and are just coming to this? Or is it more one of those stories where the opportunity is already kind of past us?

Marin: No, not all. For a royalty company – whether it's Franco-Nevada, run by Pierre Lassonde, or Randy's company, Wheaton Precious Metals, or Nolan's company, Sandstorm – it's all based on the NAV.

And, right now, Uranium Royalty Corp is trading at .9 NAV, whereas Franco-Nevada is trading at 2.3 times NAV. Wheaton Precious is trading at over 2 times NAV. Sandstorm is trading at about 1.5 times NAV.

So you have to look at the situation and go, okay, well, what is my timeframe? Do I want to buy the warrants? Do you want – warrants are, think of it as a derivative to the share price. It's an option. That's essentially what a warrant listed is. Or do you want to just sit back? And at .9 times NAV, that's cheap for a royalty company.

Now, for myself, I participated in the $1 financing, the $1.50 financing, both in big ways. And, for my subscribers, I only recommend what I am doing myself. And that's what I tell the subscribers.

So, right now, we've bought two tranches, the $1 and the $1.50. And now I'm just waiting.

Now, if the stock, if the market pulls back and the stock goes to, let's say, $1.05, or maybe it doesn't. Whatever. At that point, I may decide to buy more. Then I'll tell my subscribers what I'm doing. Or they may do a financing on a very large transaction, and then I'll determine what I'm doing.

But right now it's a hold and my subscribers have two of their four tranches.

So, Erik, the way I do all my investments is I tell people never, ever load up at the same time. It's the biggest mistake I've seen subscribers and even fund managers – when they start out, they have some capital, they're excited, and they invest all at one time in one story.

Be an alligator; take your time.

So think about this for Uranium Royalty Corp: Over a year ago that we were on your show, and I've set aside a certain amount of my capital, and I'm only half of my allocation. And it's been a year and a bit. So we have two of our four tranches filled. On Equinox, it's been three years and I have three of my four tranches filled.

Because I take a very long-term perspective on each position. It's also important, position sizing. That's why I do the tranches.

Erik: And, once again, Marin, Patrick Ceresna, my cohost and producer, has negotiated with your team to get our listeners a huge discount. It's $1,500 off. Again, this is not a low-end product. This is pretty much the premiere newsletter in the space. In the interest of full disclosure, I should tell our listeners that I am a subscriber myself.

The normal subscription price is $3,500 per year. It's discounted by $1,500 for our listeners, down to $1,999.

We were warned, though, by Marin's staff, that they are going to rigorously enforce the 10-day time limit on this offer. They're not trying to be a pain in the tail. The issue is simply that they have the VRIC – the Vancouver Resource Investment Conference – coming up. They're going to be charging full price there, obviously. Ethically, they don't want to be giving one party a discount while someone else has to pay full price. So they have to close this deal up before VRIC starts.

On that note, before we go, Marin, please tell us about VRIC itself. It's a big show. We've got Big Picture Trading, Patrick Ceresna's company, is exhibiting there, Patrick is speaking there. I know you're speaking there on a number of subjects.

What is VRIC? When is it? And how can our listeners find out more?

Marin: VRIC is the world's largest resource-focused investment conference for the mid-tiers and junior public companies. We had over 9,000 attendees. We take the maximum square footage of the biggest convention center in Western Canada, that's called the Vancouver Conference Centre. And we bring in the best names in the business.

Yourself – Patrick did a fantastic job at the San Francisco show. He gave some great caller options that have worked out well for whoever followed.

We bring my buddies Raoul Pal from Real Vision and Grant Williams, Brent Johnson. Rick Rule is being inducted into the Resource Hall of Fame. For myself, that's a big personal treat because I'm doing the actual induction speech for him. He's just a legend.

And the conference is held by Cambridge House. That's my partner, Jay Martin. We run the show together. And it really is the show to go to for your audience.

Erik: I have to confess, Marin, as I'm looking through my notes here, we've got a deal for our subscribers on the subscription to your newsletter that I just described. I think we intended to try to see if we could get a discount on the tickets to go to the show, which I know we had last year. And, frankly, I dropped the ball.

How about some kind of deal? What can we get for MacroVoices listeners to attend VRIC?

Marin: I'll tell you what. If you promise to come next year, Erik – yourself and Patrick – I'll let all your people in for free. You just use my personal family code of Katusa100 (no space) on the registration form online. And then your guys will get in for free.

Erik: Okay, fantastic. Thank you, sir, for that courtesy. And in your Research Roundup email, folks, you'll find links both for the $1,500 dollar off offer on the subscription to Marin's newsletter, which I do subscribe to myself. And if you're serious about investing in this space, it doesn't take very long for it to pay for itself.

And then completely free attendance at VRIC with that code Katusa100. You have to use that on a registration website. We'll have the link to that website also in your Research Roundup email.

We need to leave it there in the interest of time. Patrick Ceresna and I will be back as MacroVoices continues right here on macrovoices.com.