Podcast Notes;

1. Background

- I quit dishwashing after I got a pay rise of $0.50/hr to $10.50.
- In 2014 I took $300 and piled it with my friends $300 to buy LNG shares in his account. Doubled our money on luck.
- Got a new job and began saving.
- Friend was from medical background and was a fan of SRX. We put money there and doubled it again.
- In 2015, got a tip from another friend who worked as a broker to place orders over the phone. Tip was for AZK and I dropped everything on it and made a large amount of paper profits. Sold for almost breakeven.
- Bought a bunch more tech stocks at the top and blew up, over 50% drawdown very quick.
- December 2015, I picked up my first book on the market and began there.

2. Pitfalls to avoid starting out

- If you're starting with small capital and can't afford screen time and your goal is to grow it out, then it comes down to un-diversifying and going hard at few high conviction opportunities.
- Avoid negativity, the game is hard enough as it is, last thing you need is others putting you down. My biggest wins have been the ones I've been told will never make me money.
- Avoid anchorage bias. Researching a company for hours may get you attached simply because you feel like you've invested your time into it.
- Objectify as much as you can. Incredibly hard to gain a "feel" for specs when you don't have experience behind you. Use numbers and statistics try find numerical objective values compared to peers – removes or reduces "speculation" aspect, reduces downside risk. More importantly focus on sector and market psychology first.
- Focus on human psychology and what move stocks. Something may numerically look great on paper and not move for years until market catches on or stars align. Sometimes the asset simply won't be big enough to catch markets attention ever even if its "cheap". So, focus first on being in the right place at right time with a hot team and then focus on having it look good on paper too. You can't afford the opportunity cost of waiting years starting with small capital, aim will be landing large wins with right catalyst and assets that "market can't miss or ignore".

3. Social Media Navigation

- Avoid players which aggressively talk up a stock but sell into it the next day. Money must be where the mouth is, if not their opinion should be avoided.
- Vice versa, money must be where the mouth is when talking down a company. If one doesn't have something on the line to lose, taking them seriously is costly. Very easy to speak from sidelines when there is no consequence of being wrong or no money on the line. Make sure they have a short position and not bashing the company for clout sake.
- Follow those small handful that have achieved "mega-success" I'm talking those that have made millions. Find the individuals out there that have achieved 5 times more of what your goal is, study them and watch them carefully. Don't bother listening to those that are playing small, if their opinion was truly that valuable, they would be sitting on a lot more

money/retired and spending less time on social media. It's equivalent to having an overweight personal trainer hand out fitness advice. I do well for my age but nowhere near that "mega success" bracket. So, I don't even recommend taking my picks as serious either. When I'm truly on that "mega success" bracket, likely I won't be on social media anyways. The quietest people in the room are usually doing the best.

4. Shells

- Dealmaker (DM) will bring the asset to the table, broker will assist with financing, director will steer the asset to success. All three need to be competent. They don't need a history of bringing production/billion-dollar companies, they need a history of multi-bagging price.
- Having the DM own a chunk is useful. However, the best opportunities will be the ones where DM's own a chunk, the brokers/LM's clients own a chunk, family/friends etc. That's where a lot of people have wealth on the line and there is a massive incentive for performance.
- Your job is to get set as close as you can to where the big players got set, this is applicable beyond shells too.
- Price moves faster, harder and can shoot into overvaluation when a chunk of float is held by broker/DM/vendor/directors/clients/associates.

5. Mining

- For players in resource expansion or developers: Compare them on an EV/JORC ratio and find the ones which trade on a low ratio, good grades and have the highest expansion potential/untested potential. My general rule for early gold developers is getting <20 EV/JORC. For resource expansion will be <15.
  Of course, its dependent on grade, depth and multiple other factors. But those ratios work as guideline to peak my interest or just not bother digging deeper.
- Grade: This is the most important factor to consider. Doesn't matter how large the size, unless it can be an economical grade it won't be worth looking at.
  How to solve economical grade? For an open pit mine for most precious metals and base metals, costs about $45 to cut, mine, transport and process one ton of mineral ore. Then it will cost about $10 per ton for admin expenses, overheads, insurance etc. In total that's $55/ton it costs to go from ground to finish produce.
  So 1 ton of ore must be worth at least $60.
  Assume gold price at $45/gram (US$1500/oz). This will mean you need 1.4grams of recoverable gold in every ton for that ore to be worth more than $60 (1.4g/t X $45/g). Your minimum grade for a project to even be feasible in the market's eyes should be 1.5g/t (94% max. recovery), even then this isn't a standout grade, this is bare minimum assuming a very good metallurgy.
  Some base metals may be more complex and cost more to extract than gold, so understand case by case.
- Other things to pay attention to: Depth, stripping ratio (how much waste must you mine to get to the good stuff), water table, sovereign risk discount, recovery and metallurgy. Why did the previous vendors let go of the project? Was it a fatal flaw or was it more market conditions (low spot price) or corporate issues (overrun with debt, divestment strategy, dispute, lack in financing etc.). Market conditions/Corporate issues are fixable, fatal issues isn't. If multiple vendors have gone through the project across multiple market conditions

this is a sign there is a fatal flaw hidden somewhere. Unless the current team is quite creative and think outside the box how to mine it, likely market wont price it up.

6. Tech/Industrials

- Statistical Value: Objectify things as much as possible. Look at things like UWL, PET, ANO, BID all were trading 2-3x revenue and 5-6x gross profits before they 10bagged. Doesn't mean every company trading those levels will 10bag, just increases your chances. Sometimes they'll just 4-5bag but it reduces your downside risk.
- Sweet spot stage: Market usually loves a story where company is going from R&D to winning some big revenue generating contracts or when a company is moving from cashflow negative to positive.
  Things to however be aware of, company may simply sell inventory (brings in revenue) while not replenishing inventory via further production (reduces operation expense) to give illusion of going cashflow positive.
  Avoid expensive R&D companies, they'll burn ton of cash will require multiple credit raises and dilution galore. DUB and ISX are examples, long sideways movement during R&D, start winning contracts lead to a major breakout, then follow through with delivery and further traction in revenue/contracts forced 10bagger territory.
- Qualities to look out for: Management not burning bunch of cash from the get-go, keeps a tight ship, reducing OPEX. Has formula which gives it x-factor "dreamy" "blue sky" quality which solves an issue or large target market. Pursuing growth, either via contract wins or big partnerships which can follow through to contract wins. Investing in infrastructure or facilities to keep up with future demand. These qualities are also subject to market conditions.

7. Top 4 Books

- A complete guide to Volume Price Analysis, Anna Couling.
  Explains supply and demand in layman's terms. Pure technical but super easy read for starters with practical examples.
- Conversation with America's Top Traders, Jack D. Schwager.
  One of my favorite books. Technical and fundamental analysis, inside the brains of some of the best investors in the world.
  One quote stuck with me here to this day, which is success can be replicated. So, spend as much time analyzing and studying how the successful operate. Also speaks on finding "zen" and spiritual/psychological side to risk taking.
- The Microcap Investor, Richard Imperiale.
  Not many books touch microcap stocks from fundamental side. This one does.
- How I made $2Million on the Stock Market, Nicholas Darvas
  Easy read and combines Fundamental and Technical shows amateurs can make money.