

Thinking Outside the Box for the Mining Industry

The connections I've built over decades in the precious metals industry occasionally produce an investment opportunity worth sharing with my audience. Typically, the opportunity must either align with my belief in precious metals ownership or, in some way, empower people to understand the benefits of an honest monetary system.

Precious metals tokenisation company, LODE, fulfils both criteria, which is why I am bringing this to the public.



Established in 2017, the LODE Project was founded by a community of precious metals enthusiasts who believed in accessible and inflation resistant financial solutions. Their ambition was to restore silver and gold to their rightful place as sound forms of money, a feat they realized could only be achieved through leveraging the best innovation from crypto i.e., blockchain technology.

Six years on from their founding, after weathering the storm of the precious metals and crypto winters, LODE has established itself as an operational business and is now primed for a sustained period of growth. LODE's gold backed coin (AUX) and its silver backed coin (AGX) serve as the means of exchange within its digital ecosystem, which caters to a diverse range of users, including individuals, investors, businesses, and nations. There is no barrier to entry as silver is sold by the gram and gold by the grain. In other words, almost anyone, anywhere can inflation proof their savings.



The LODE Wallet allows users to securely store their LODE coins digitally - a process that is destined to become more user-friendly over time, much like the development of email technology during the early 2000s. LODE Markets offers a viable marketplace where AUX and AGX can be utilised, and works the same as Amazon, where you put things in your shopping basket and pay, except with AGX and AUX instead of fiat.

Finally, LODE's integrated supply chain ensures stakeholders remain in sync with the precious metals circulating in the system, as it spans from the sourcing of the metals to the processing and refinery stages, and to the distribution and wholesale stages where bars are reach the LBMA and the COMEX.

The reason why this opportunity is so compelling is because management have engineered a strategy that makes the process of metal retrieval not only more streamlined, but also more cost effective. This is an idea that is simple and frankly I am not sure why it has not been accomplished previously.

Lode is focusing on the small miners in Mexico who are about 180,000 in numbers and produce about 20% of the silver and gold in Mexico and have done so for decades. This equates to a staggering value of \$2 Billion per year all the while many of the small miners are not bankable, have old equipment, lack working capital and are not able to source the latest technology to improve their efficiency.



There are a number of small gold and silver processing plants in Mexico that are independently owned and many of them suffer from a lack of working capital. Lode plans to acquire one or more of these plants, modernize them and seriously upgrade the production capacity.

Due to the above issues, many of the smaller miners end up selling some of their metals in trading firms such as Trafigura or refinery businesses in China. However, LODE's plan is to add value to a network of regulated Small Miners in Mexico, by supporting them with more efficient technology for extraction and flotation, as well as management, equipment, and capital.

Typically, these small miners have anywhere from 500 to 7000 hectares licensed under contract by the Mexican government. Not to mention, the average ore mineral grades are decent too, at around 800 - 2,000 grams per ton for silver and around 0.4 - 5.0 grams per ton for gold.

Despite this, many of the miners have not fully explored their own land, as they are either in arrears on the taxes or lack the technology. This is why LODE's investment in upgrading the capital-intensive processes of the small miners is beneficial, as it equips them with the means to find more precious metals.

Initially, Lode will have three revenue drivers, namely raw ore, concentrates and tailings of which there are many in Mexico. Lode will typically purchase anyone of these from the small miners after it is assayed then start to process the ore. Typically, Lode will end up with a combined EBITDA margin of around 20% from the processing of the gold and silver.

This plant - strategically located on the outskirts of Mexico City in Matehuala, – is intentionally positioned near the USA. The plan is to upgrade the processing plant to process 100 tonnes per day within 6-12 months, meaning it will have the capacity to produce upwards of 11,000 Oz of gold and 570,000 Oz of silver in year one alone.

By the end of year 3, the plant's output will rise to 250 tonnes per day, at which point, it becomes a sizeable \$300-350 million business that would produce an impressive stream of cash flow.

Ultimately, when you consider the fact that there are 9 billion smart phones in the world, as well as the fact that at 10 million users, the value of a LODE token has substantial upside.

Moreover, when you consider how the likes of BlackRock have used their own types of consolidation strategies to fuel expansion, namely with its acquisition of Barclays BGI in 2008, you can be sure that LODE are not going out on a limb with their highly strategic approach.

The bottom line is that people need a sound money alternative to fiat money, and in my view, LODE's management, strategy, and financial resiliency all point towards them being the entity with the highest likelihood of pulling that off. Why? Because as described we have vertically integrated the business to achieve the procurement of gold and silver below spot. This margin can be put to use in many ways. The primary one being those in the Lode Ecosystem.

This is NOT a solicitation to buy or sell and is for information purposes only. Note: The author has invested in this project and therefore carries a bias due to personal investment.

For those interested in learning more – Go to <https://lodemining.com>

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