

# Psst, Your Mining CEO Isn't a 'Scumbag'—Even If X Tells You Otherwise

written by Anthony Milewski | October 2, 2024

Being a junior mining CEO is hard. **Trust me I have the battle scars.**

This month I am going to share my thoughts on the modern junior mining CEO and how the position is changing *dramatically*. Hopefully this will help reframe how we think about these individuals and reevaluate who/how certain aspects of the companies we invest in, are being run.

## **Bottom line:**

**In addition to having a real asset/project, I won't invest in a company that doesn't have a big marketing budget spent mostly on digital advertising and content AND either a CEO that is well paid and/or owns a large position in the company.**

In the age of social media it's easy to get swept up in the tide of public sentiment, especially when it comes to an industry like mining. It's all too easy to portray mining CEOs as **villains**, driven by greed at the expense of shareholders.

But this clichéd portrayal rarely reflects the complexity of the role or the modern realities of marketing and capital raising. Instead it's often a narrative that seems to be pushed by individuals who have lost money, are jealous, or simply don't understand the nature of the asset they are investing in.

Sure, there are bad actors but, in my opinion, the overwhelming majority of CEOs are doing their best in a job that requires you

to be a capital raiser, market maker, public relations expert, and business operator. **This is at least two and maybe three very different skill sets in one person – which is a rare find.**

Mining executives are responsible for balancing the need to power the world's industries, from technology to infrastructure, rearmament to the energy transition, while navigating an increasingly challenging capital raising environment with a (let's be honest) general lack of interest from investors in small cap stocks – as well as, now, the social media's armchair CEOs.

The internet in particular has catalyzed this trend with mostly anonymous keyboard warriors vicariously running junior mining companies from their mom's basement in their underwear... heck, even the pros take their turn (probably also from their mom's basement in some cases!).

Did you know there is an invite-only group on Discord where so called professional portfolio managers go to exchange ideas and berate management teams.

Under the cover of what some of them believe to be anonymous and semi-anonymous handles they take their turn. Look at X/Twitter, where many of the popular accounts are hyper negative. But why? Should they be? Is it fair and/or helpful to junior mining stocks?

Dismissing mining CEOs as “**scumbags**” because of oversimplified social media narratives misses the modern reality of running small public companies.

All the while these CEOs are required to be optimists and cheerleaders.

For a junior mining story to work you HAVE to market, and the CEO HAS to stand to make money.



*(an average love note found on Discord)*

As [discussed last month in our newsletter](#), I attribute much of the negativity by a given investor to not framing their junior investment correctly. As Charlie Munger once said “If you don’t understand it, don’t do it”.

Investing in a junior mining stock is akin to investing in an option! Make the mistake of thinking about it differently, and risk not understanding why you lost money.

(Catch up on last week’s newsletter [The Art of Betting on Maybe, Junior Miners as an Options Trade](#))

Now, for all that, let’s be honest, you can’t (and shouldn’t) ignore the chatter online. BUT don’t take it in isolation. In particular, what’s the source of the noise and potential agenda behind the rumors.

The junior sector is so unloved that chirpy little hedge funds with small AUMs can have an outsized voice.

## **What should you look for in a CEO?**

My rules of thumb when judging management (it goes without saying that we are assuming, of course, that they have a real project or opportunity):

## **You can't fight the tape!!!**

Market sentiment and commodity price above all else are going to drive the CEO's ability to move his or her stock. If lithium is down big, your stock will be down big. If silver is up big, your stock is likely up big.

The CEO's job, through their marketing efforts, is to amplify an upward commodity move into share price appreciation and minimize downward pressures in a tape moving against them.

## **Never fall in love**

A quick reminder: Your CEO is not building the mine. Statistically the mine ain't getting built anyway! But if you take it even further and say the junior is building the mine you are now entering the world of delusional. If, by chance, the mine is built – it won't be by a junior mining company.

I refer you back again (to reemphasize this most crucial point) to our newsletter from [last month](#), these junior mining stocks need to be thought about as options!!!

**AND ALWAYS REMEMBER TO SELL!!!**

## **If you don't spend on marketing you are irrelevant**

I will NEVER invest in a company where the management tells me they aren't spending on marketing. This is INSANE. Your CEO

needs to be spending on marketing through the ups and downs of the market. Sure, you need to ramp up and down budgets based on the cycle, but not spending is never an option. All not spending really does is make it harder for people to find your name when the market comes your way.

There was a time when raising money was easy and stock promotion required little effort. The days of paying for dinners in Zurich hoping that one of the twenty people in attendance buy your stock are long gone. Instead the modern CEO is faced with a simple fact, in addition to running a business they have to embrace modern marketing methods to have a chance at moving their story forward.

I like to think about marketing spend like big wave surfing. You need to be spending while you are out bobbing around the sets...but when you finally see the right wave, you need to go all in to catch the wave! Marketing spending can massively amplify positive underlying market sentiment or a positive commodity price move. In a downturn it can also make the difference from being a 50m market capitalization company or a 5m market capitalization company.

Just a quick anecdote: last month at Beaver Creek, I was in a meeting with one of the industry greats. He noted to some of the people in the meeting that he was not interested in the group joining his group unless they would commit to spending two million per year on marketing. That's right. Two million.

Now, I don't know the details of that deal, but another way to think about it is like this: **If your CEO effectively spends a million dollars on promotion and the stock is 120 million market capitalization versus the same CEO on the same deal spending nothing and you have a 40 million market capitalization – which do you prefer?**

As I noted in our [September Newsletter](#), dilution is the enemy to your junior mining investment and so the highest market capitalization possible helps to protect against dilution. Spending money to defend your investment with a higher market capitalization makes sense.

## **Can the modern junior mining CEO be just one person?**

Or is the new paradigm a technical CEO and a marketing oriented Chairman or president (or some version of it – just that it is two separate people).

I have been struggling with this question(s) for a number of years. Certain projects demand a CEO with deep technical knowledge to lead technical development. In my experience that technical CEO is often either unable or unwilling to turn their attention to marketing.

## **A modern marketing program has to be run by a senior executive**

*Marketing has turned in to witchcraft, we are going to have to address this in depth at a later point.*

I have come to believe that every company needs two people at the top, one who is managing modern marketing techniques and dealing with shareholders and a second that is running the business.

Gone are the days when you can outsource your marketing to a 20 or 30 something and show up to a conference. Instead, marketing today requires content review, ad words, strategy around timing, TikTok, SEO and placement of content before certain audiences, keywords for search and blogs need to be given serious consideration. MILLIONS AND MILLIONS AND MILLIONS of dollars have been wasted over the past few years by CEOs in the mining

space who have outsourced their digital marketing budgets because they didn't understand how it works or didn't want to spend the time and energy to understand how truly important the new era of digital marketing is to the success of their story gaining a wider audience of investors.

The Chief Marketing Officer has to be a senior executive! Ok Ok. I keep talking about the CEO but, as noted above, you really need someone to market the company. This means the CEO or Chairman etc need to effectively be the Chief Marketing Officer. My firm view is the CMO needs to be one of the top two guys in the deal. It can be the CEO who markets and a technical president or a technical CEO and a marketing chairman etc. They also need to be committed to learning how to properly use modern marketing techniques so that they are not wasting their marketing budgets. A half-ass approach is actually worse than not trying because a half-ass approach results in wasted money!

## **The CEO either needs to own a large position in the company or get paid**

The days when the promoter of a Vancouver penny stock deal could take no cash money out of a deal because they were blowing out their stock in a secret Swiss account are long gone. Grow up!

Your CEO either needs to be paid or have a huge position in the company. Do you honestly want a CEO who is so desperate for a job that they are willing to not have a position in the company and make \$150,000 per year. Yes, I get that that is still a lot of money, but a starting salary for a junior investment banker or someone right out of school at a tech company well exceeds that number. So ask yourself a basic question, do you want a talented CEO?

I don't know what the right salary number is for a given company, but making sure you have the best management team in

place is critical. This is really achieved through one of these means. I would also note that this, in my opinion, is one of the main reasons why many so-called private equity firms and stories where there isn't a promoter, have failed.

## **To sum it up**

It is really hard out there in the small cap space these days. The people running the companies you are invested in are doing their best. When I look at company executives I want to see a division of labor along the lines of running the business and marketing. I also want to see highly incentivized management teams spending large budgets on marketing in the context of a given market scenario.

That's where I'd put my money. Anthony

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