ORE GROUP

Chairman’s Note

Cycles, Sentiment and Incentives

Most of what you need to know in business and investing comes down to three things: cycles, sentiment and incentives. You won't get the timing right, which is unfortunately the part that matters most. But direction and magnitude are more predictable than people think.

Incentives drive people. Sentiment drives markets. Everything moves in cycles. The hard part is layering the three and reading the Matrix. The cycle can be moving one way while sentiment runs the other, and the person across the table has motivations that may have nothing to do with either. It's easy to confuse sentiment with fundamentals, price with value, and what we want to happen with what is likely to happen. That's where the mistakes are made. It's also where the opportunities come from.

Apply this to metals. The metals cycle is the single most important determinant of investment returns in our industry. More than grade, management or jurisdiction. You can own a world-class deposit and lose money in a bear market, or own a mediocre one and make ten times your money in a bull market. Same rocks, same drill holes, same people. The only thing that changed is what investors were prepared to pay. Fundamentals matter enormously over time, but the cycle determines what the market will pay for them. You can be right about the geology and wrong about the investment.

I believe we're in the early stages of a powerful metals bull market.

The thesis is not complicated. Gold benefits from eroding confidence in fiat currencies, rising sovereign debt and geopolitical uncertainty. Copper faces a structural supply problem after years of underinvestment, declining grades and ever-harder permitting. New mines take a decade or more to build, and the world needs considerably more copper than the existing pipeline can deliver. These aren't problems that get resolved in a quarter or two.

Meanwhile, mining equities have spent most of the last decade starved of capital and attention. Generalist investors are only beginning to return, and as capital flows back into a small sector, valuations can re-rate dramatically, often well beyond what the move in the underlying commodity would suggest. Higher metals prices improve project economics, attract capital and increase the value of resources. Improving sentiment amplifies those gains through expanding multiples. It's how a company goes from $0.20 to $2.00 without discovering another ounce. The market simply starts paying for what was already there.

This cycle has a long way to run.

But there is an elephant in the room, and it has little to do with mining.

The stock market, and the indices most people own through passive funds, has become an enormous bet on artificial intelligence. Trillions of dollars of market value rest on the assumption that AI spending will translate into extraordinary revenues and profits. Strip away the complexity and much of it comes down to a handful of model builders and the companies supplying them chips, data centres and power.

The technology is remarkable. The economics are another matter. We're being asked to believe that enormous infrastructure investments will generate equally enormous returns, that today's revenue forecasts are achievable, and that competition will not destroy the pricing assumptions underneath them. Those are heroic assumptions.

We've already had one DeepSeek moment, when a Chinese company showed that competitive AI capabilities could be delivered at a fraction of the presumed cost. The market reacted violently. Does anyone seriously believe that's the last time China undercuts Silicon Valley? More competition is inevitable, and some of the revenue assumptions supporting today's valuations will eventually look ridiculous. The problem isn't AI. It's what investors are paying for it. Given how concentrated the US equity market has become, a reassessment of those assumptions could trigger a much broader correction.

Here's the risk to our own thesis: we can be absolutely right about gold and copper and still get our heads handed to us in the short term. Kind of like October for the metals equities.

A major correction in US equities won't politely stop at the mining sector because our fundamentals look good. When investors panic, they sell what they can. Nobody stops to admire your latest drill intersection. Liquidity disappears and everything gets marked down.

But a sell-off doesn't invalidate the metals thesis. It doesn't build new copper mines, reverse declining grades or solve sovereign debt problems. The fundamentals remain intact, even if the equities are trading at half their previous valuations. That's the distinction between price and value, and it's precisely why cycles matter.

A broad equity correction in the middle of a structural metals bull market would create an extraordinary buying opportunity. But only for those with the capital, guts and patience to use it. If you're forced to finance or sell assets into that weakness, you don't get to enjoy the recovery.

Which brings us back to incentives.

When markets are euphoric, management teams are paid to promote, investors chase performance and bankers manufacture transactions. When markets collapse, those same people discover discipline, usually after the money has run out. Nobody in that chain is incentivized to tell you the cycle has turned. That includes us, if we're honest.

At Ore Group we seek to own quality metal assets with leverage to higher commodity prices. Finance when capital is available, not when we're desperate. Keep the flexibility to advance projects through downturns and to buy when others are forced to sell. We won't always get it right, but our incentives are pointed in the right direction.

The metals bull market is real. Structural commodity shortages, monetary uncertainty and capital returning to an under-owned sector make it one of the most compelling opportunities I've seen in my career. The bloated assumptions embedded in AI valuations are a genuine risk to every asset class. The two are not mutually exclusive.

I've spent more time than I'd like to admit trying to predict the next rate decision or the next quarterly number. It was mostly wasted.

Understand the cycle. Understand the sentiment. Understand who's incentivized to do what. And most importantly, understand your own incentives. They're usually the hardest to see clearly.

You don't need to predict the day the tide turns. You need to know which way it's going, how far it can move, and make sure you aren't swimming naked when it goes out.

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