IMPORTANT PORTFOLIO CHANGES

While this could have been part of Friday's newsletter as well, I thought it would be good to dedicate a seperate update to these portfolio changes to make sure people are aware of said changes and the reasoning behind it. Cutting right to the chase, and I have hinted at this being a distinct possibility in terms of portfolio sales over the past 2 months, F3 Uranium and Guanajuato Silver will be sold and subsequently removed from the Codex portfolio. Now I just want to clear up that this has as much to do with the need to raise further capital to bolster the cash position as it does with the individual companies themselves. I wouldn't fault anyone for holding onto F3 for it's potential for a future high-grade discovery or for holding Guanajuato for the potential that their investments will significantly lower their AISC and their exploration will materially increase the mine life of their assets. Both are very much possible and perhaps these two will do very well going forward, which I hope is the case for anyone holding these companies, but investing is a personal endeavor first and foremost and that is why I wanted to let you all know what I am doing. With the macro backdrop still being volatile and uncertain, these sales will increase the cash position by approximately 3%. The cash position will still be situated in the same 15-20% range that I have highlighted as, in my opinion, the right balance between being long a market that is still strong and also having enough protection in place in case things go south. With a 16.5% cash position, I feel like that balance and ‘sleeping level’ is achieved following the sale of these two names, as well as adding Merlin to the portfolio recently. Again, it's all personal, please keep that in mind. Now, the reasoning.

Starting with F3, we established a position in the company back in 2022 when the news first broke that they got a monster CPS hit. One of my geologist friends called me up and noted that this could be a world class discovery in the making and looking to participate in this speculation, I opened a position and regular coverage as part of the Codex portfolio at an average price of C$0.125 . We took some profits along the way in the C$0.3s and looking back, the position should have just been sold then, but when it comes to exploration it is always tempting to chase that next world class discovery. While they have certainly had some great hits, it didn't turn out to meet expectations. It still might, who knows, but I am happy to take further profits of 36% on the rest of the position on top of the earlier mentioned sale.

Now, credit where credit is due, the geology team has put together a track record that includes the J Zone at Waterbury, Triple R at PLS, and the JR Zone discovery at Patterson Lake North in 2022, plus the Tetra discovery 13 kilometers south on Broach in 2025. The hits inside JR have been spectacular by any metric, including the now-famous 7.5 meters at 30.9% uranium intercept with 4.5 meters at 50.1% from hole PLN24-176, which is bonanza-grade by Athabasca standards and bonanza-grade by any standards, which makes it super bonanza grade I guess. The problem is capital structure and in part also the management team itself, and I think this is where the story comes apart for me. F3 sits at roughly 631 million shares outstanding as of mid-2026, up from around 250 to 280 million shares at the time of the JR Zone discovery in 2022. That is roughly a 130% to 150% increase in share count over four years, against zero defined resource and zero published economic study. The fully diluted figure sits at around 700 to 750 million shares once you add in the roughly 65 million options and RSUs, 35 to 58 million warrants, and the 26.8 million shares the Denison convertible debenture turns into at C$0.56. The term ‘mining shareholder value, not the commodity’ comes to mind when looking at those numbers on a spreadsheet.

IMPORTANT PORTFOLIO CHANGES

The pace and quality of the dilution is what really bothers me. The company has run a string of bought deal and flow-through financings at progressively lower prices, with raises closing at C$0.24 in mid-2025, C$0.20 in April of this year, and the debt settlement to Denison being completed at a deemed price of just C$0.143 per share to cover accrued interest on the original C$15 million debenture. Every raise at a lower price means more shares issued for the same dollar of exploration spend, and the company has been steadily compounding that math against itself. The 9% coupon on the Denison debenture being paid partially in shares adds a steady drip of additional dilution that runs quarterly regardless of what the share price does, which is exactly the wrong feature when your share price has been grinding sideways to lower for four straight years. Yes it's great to have Denison on the books as a partner and they are absolutely smarter than me when it comes to uranium assets in the Athabasca Basin, but I'll pass going forward.

Management's playbook is well known, which is getting the most out of the company and then perhaps selling it down the road. That same model is what the bull case still leans on, the idea that F3 gets bought out eventually and the dilution stops mattering. I respect the track record but four years of sideways trading suggests this iteration is taking longer than the last one, and every quarter that passes adds more shares to the count without moving the discovery any closer to a defined resource or a takeout offer, even though a lot of drilling has taken place. With Cosa Resources giving me clean Athabasca exposure, also through the Denison JV structure at a much tighter share count and in my opinion a better management team, I feel comfortable enough with my coverage in the basin without having to keep absorbing F3's structural drag. The geology team will likely discover more high-grade material at PLN over time, and I genuinely hope they do, but the equity is not the right vehicle for me to participate in that potential anymore.

That brings me to Guanajuato, which gave us a very strong return after the first 25% sale and with a sale of the remaining position at C$0.64, it locks in a 220% profit. It's not Abra or Andean levels of returns, but still very respectable and something that I have very happy with personally. Now, as for the reasoning, I am still bullish on gold and silver going forward and I still believe the company will do well as they invest more into their assets and prices continue to climb, but I believe that this capital is better suited elsewhere and with plenty of gold and silver exposure still in place, I am happy to let this one go for a solid profit. I already hinted at it a bit when the results came out earlier this month and I wanted to wait for further data and when that was released, it was enough to say adios to Guanajuato. Time for some numbers. Record revenue of $43.1 million, record EBITDA of $13.1 million, record mine operating income of $14.3 million, record net income of $5.7 million, and the company's first quarter of net profit ever. On the surface this looks like a clean operational turnaround right? Well, sort of, but it's simply not enough.

The first issue is share count. GSVR went from 472 million shares at Q1 2025 to 728.1 million at Q1 2026, and currently sits at roughly 743.8 million. That is 57% dilution in just over a year, which includes the equity component of the Bolanitos acquisition that closed in January, a string of bought deals and private placements through 2025, and warrants exercisable at C$0.45 from the C$18 million financing last summer that will add more shares if the price cooperates. On a per share basis, the "record" $5.7 million net income works out to less than a single cent, and with $30.5 million in cash after burning $30 million to close Bolanitos, plus a $35 million 2026 capex program covering 75,000 meters of drilling and 16,000 meters of underground development, the math suggests further dilution is coming.

IMPORTANT PORTFOLIO CHANGES

The second issue is that the "record" production is not actually a record on a like-for-like basis. I may be being too harsh here, but hear me out for a second. Silver equivalent output came in at roughly 614,000 ounces in Q1 2026 using their own 57.81:1 ratio, compared with 738,006 ounces in Q1 2025 at 89.68:1. That is a 17% decline in AgEq production year-over-year. More damning, actual silver ounces produced fell from 380,406 to 339,104, an 11% drop in physical silver despite layering in a freshly acquired gold-rich mine. The company spent $30 million in cash plus shares to acquire Bolanitos and the result is that legacy silver operations went backwards. The revenue line looks like a record entirely because silver and gold prices ripped through the period, not because operations produced more metal, but that's kicking in an open door of course.

The third issue is cost performance relative to peers, and I want to be specific about that comparison. GSVR's Q1 2025 AISC of $23.41 per AgEq ounce was actually in line with the mid-tier silver producer universe, with Endeavour Silver running $24.48 in the same period and First Majestic guiding to $26 to $28 for 2026. Where GSVR diverged was Q4 2025, when adjusted EBITDA collapsed to negative $0.6 million on $22.7 million in revenue, implying an AISC well above any of the mid-tier peers I just listed and on par with the high-cost end of the silver producer universe. The Q4 was hit by $6.8 million in derivative losses on the Ocean Partners gold loan, $1.2 million writing down the Cata mill which was placed on care and maintenance in December, $2.4 million on legacy non-recoverable VAT, and $2.8 million in other legal accruals. None of those are one-time clean items I believe, as the gold loan derivative keeps generating accounting losses every quarter the gold price moves around, and management explicitly flagged that AISC remains elevated in the first half of 2026 because the capex program is front-loaded. So even after a clean Q1 2026 print, the cost structure is not yet back to where it sat a year ago.

The structural problem is what this implies for the cycle. Silver currently sits above $70 per ounce and gold above $4,400 per ounce, both at or near all-time highs in nominal terms, and Guanajuato Silver still barely scraped into positive net income on a fully diluted share count that has grown by more than half in twelve months. Hecla, with an AISC closer to $15 to $17 per ounce, can absorb a major silver retracement without breaking. First Majestic, even at the high end of its guidance range, generates a $50-plus AISC margin per ounce at current spot. Yes GSVR is not a major with top tier assets, but they have been operating with roughly a $15 to $20 margin per ounce in the best quarters and going negative in the worst ones. If silver retraces to $30 per ounce, which is absolutely possible in a liquidity event, the operating leverage works in reverse and we are back to negative EBITDA quarters within a couple of reporting periods. That is not the kind of leverage I want exposure to in a precious metals sleeve, particularly when peer names exist that have lower cost structures, tighter share counts, and operational track records that do not require record gold and silver prices to scrape into positive net income. They are a great call option and have delivered a solid return for the portfolio, but that's about it at this point. Don't get me wrong, what the company has built is real industrial work. The consolidation of five mines into a single operating platform in the Guanajuato region is genuinely impressive, and there is a credible path to lower unit costs once Bolanitos is fully integrated and the Topia mill upgrades are done. The problem is that I have been waiting for that operational inflection for the better part of two years, and every time it appears within reach, management dilutes again, acquires again, or writes something down again. I wish them good fortune ahead and I am grateful for the profits, but it's a sell now.

I hope this update proved to be informative and remember, investing is personal, so please consider what is right for you first. I hope you have a good and healthy rest of your day, cheers! ~Mart

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