



## **Current Comments on the Companies I Cover: Q3 2010**

**A Monday Morning Musing from Mickey the Mercenary Geologist**

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I provide many updates of the companies I cover in written, audio, and video interviews and in periodic workshops during various investment conferences called “Q and A on Junior Resource Stocks”.

However, until today I have not posted written updates in the Mercenary Musing format. The following is the first in what will be a periodic series of general musings that review recent progress, upcoming catalysts, share price history, and give an updated opinion of each sponsor company and one site affiliate. Additionally, I briefly discuss former sponsors that are no longer covered and the reasons for dropping them.

The junior resource speculation game is dynamic, markets go up and down, company fortunes ebb and flow, and my opinions change to reflect the current situation and future outlook.

Before we examine individual companies, let’s review my trading philosophy as recently explained in a musing called “The Power of Two” ([Mercenary Musing May 10, 2010](#)). My basic premise is this: I seek stocks that will double in 12 months or less. At the point of a double, I generally take all my money off the table by selling half of the position and retain the remainder for programmed sales on the uptick and stop-losses on the downside.

However, this is a Mercenary Geologist Rule of Thumb and there are exceptions to every rule. In some instances I will sell the entire position if I lose confidence that a double is likely in 12 months or less. Occasionally I will hold on longer if there are potential catalysts that can bring me the double.

Sometimes when I have participated in a private placement, a double has been achieved quickly but the stock was not free trading and the trade had to wait. At times during the past year when a private placement became free trading, it was much higher than a double so I rode the entire position for over 12 months to avoid United States’ short term capital gains tax. In some instances, I sold enough to recoup the investment in early January and postponed my tax burden for an additional 12 months.

In 2008 I sold failed stocks in November and December and generated tax losses to offset capital gains. I lightened some positions during the May panic because I wanted to be more in cash and less in paper.

My methods are never perfect but I have given the lay investor a general trading methodology that has worked well for me for nearly two decades of speculation in the junior resource sector.

That said, trading decisions are always the responsibility of the individual speculator.

The bottom line is this: I think it is important for a speculator to take money off the table as soon as practical to enhance his overall financial position. Since microcap venture capital companies do not declare dividends, money cannot be made by “buying and holding” in the junior resource sector.

Folks, there is never a gain or a loss until there is a trade.

I am proud to present the nine current sponsors of [MercenaryGeologist.com](http://MercenaryGeologist.com) in alphabetical order plus one other that is a site affiliate. I am a current shareholder of each company:

**Amarillo Gold Corp (AGC.V)** has made considerable progress since I wrote about it before the PDAC ([Mercenary Musing March 1, 2010](http://MercenaryMusing.com)). The company completed its drill program at Butia on the Lavras do Sul project that soon will result in an initial 43-101 resource estimate. At Mara Rosa, an updated resource estimate resulted in a total of 1.07 million ounces in all categories and is an integral part of a pre-feasibility study that recently went out for bid. This month the company raised \$6 million at 75 cents with no warrant. I will be examining the two flagship projects in Brazil in August or September and remain bullish on the company’s future. I wrote about AGC at 65 cents, it reached a high of 90 cents, and it is currently trading at 72 cents.

**Almaden Minerals (AMM.T; AUU. AMEX)** was the subject of a recent musing ([Mercenary Musing, July 19, 2010](http://MercenaryMusing.com)). I will be visiting the company’s flagship Elk Mine in southeastern British Columbia in the late summer and their joint ventures with Goldgroup Mining at Caballo Blanco and El Cobre in southeastern Mexico in the early fall. AMM was trading at 91 cents when I posted and is currently at \$1.00.

**Avalon Rare Metals (AVL.T)** is a company with which I have a long history of coverage, both privately and publicly. It is rapidly progressing on its Thor Lake rare earth element project where I visited twice. Since my musing last fall ([Mercenary Musing, November 3, 2009](http://MercenaryMusing.com)), Avalon announced a new resource estimate on its Nechalacho deposit, comprehensive bench-scale metallurgical results, a preliminary feasibility study, and final winter drill results. The prefeasibility study was a very positive step in its progression toward a development decision and was the first economic analysis by any REE company. A new resource and reserve estimate incorporating winter drilling is pending and pilot plant metallurgy will commence when bulk sample material is produced from this summer’s drill program. I publicly covered Avalon in September 2008 at \$1.00; it subsequently went as low as 51 cents with tax loss selling in mid December 2008, reached an all time high of \$4.24 about 10 months ago, and closed today at \$2.70. I am bullish on Avalon’s long term prospects.

**Eurasian Minerals Inc (EMX.V)** was the subject of a second musing in late March ([Mercenary Musing, March 22, 2010](http://MercenaryMusing.com)) that reported on its recovery efforts after the devastating Haitian earthquake and subsequent re-start of exploration. Since that time it has completed a \$5.3 million financing with Newmont and the IFC at 10% over market with no warrant. Eurasian is currently drilling on its Grand Bois, Haiti property and recently announced discovery of a major copper-gold porphyry target in northwest Haiti. Eurasian was trading at \$1.32 when I first took it on as a sponsor in late Q2 2009, it reached a high of \$2.80, and it is currently trading in the \$1.70 range.

**Goldgroup Mining Inc (GGA.T)** is a newly listed company on the Toronto Exchange, a new sponsor of my website, and the subject of a musing in early July ([Mercenary Musing, July 5, 2010](#)). I am a founding shareholder of its predecessor company and know the people and projects well. Since my report, GGA has monetized a former property with sale of El Porvenir to Carlos Slim's Frisco Group for a net of over \$20 million. I will be visiting its flagship exploration play Caballo Blanco (mentioned above) in the early fall. Goldgroup was and currently is trading in the mid-60 cent range.

**Otis Gold Corp (OOO.V)** was covered in early March ([Mercenary Musing, March 8, 2010](#)) and since then announced robust drill results at its flagship Kilgore project in east-central Idaho, commencement of metallurgical work, and studies leading to a pre-feasibility study within the next year. Otis is currently drilling an 8000 meter program at Kilgore with goals of delineating, expanding, and closing off the current resource and initial testing at the adjacent Dog Bone Ridge target. I will be traveling to the Kilgore project while you are reading this musing. Otis was trading at 52 cents when my musing was released, moved to 60 cents on drill news, and is currently trading about 45 cents on low volume during these bad summer doldrums. I think better times lie ahead for OOO in 2010.

**Quest Rare Minerals Inc (QRM.V)** became a sponsor in late March of this year ([Mercenary Musing, March 29, 2010](#)) after examination of its Strange Lake, Quebec heavy rare earth element project in late summer 2009. Subsequently it issued an initial resource estimate on the project, changed its name to reflect status as a rare earth element explorer, and announced additional land acquisition to the south. Quest recently commenced a 15,000 meter drill program at Strange Lake with delineation of the west half of the deposit, initial drilling of the east half, and testing of several satellite targets. Preliminary metallurgical results are expected in early August. Quest's trading pattern has mimicked the recent extreme volatility of the rare earth sector. It was trading at \$2.85 in late March, went as high as \$4.26, down to \$1.71, and has rebounded to \$2.70. In my opinion, patience could be a virtue with Quest.

**Strathmore Minerals Corp (STM.V)** is a continuing sponsor, first reported on privately in July 2007 and December 2007, publicly in early March 2009 and lastly in early April 2010 ([Mercenary Musing, April 7, 2010](#)) when it monetized a Wyoming project for \$20 million and a 5% NSR. I have spent considerable time examining its two flagship projects. STM is on schedule and under budget with mine permitting and has started a bankable feasibility study at Roca Honda, New Mexico. Baseline studies and permitting activities also are progressing in the Gas Hills, Wyoming. Its efforts to monetize seven other uranium development projects continue with a recent 43-101 resource estimate at the Marquez deposit in the eastern Grants Mineral Belt. Strathmore traded at 22 cents when I first brought it to the attention of my readers, reached a high of 82 cents less than one month later, and is currently in the 50 cent range in a downtrodden uranium development sector. I expect uranium prices to go higher and uranium stocks to follow. There is lots of pending demand for the other yellow metal for the next decade and beyond.

**Tasman Metals Ltd (TSM.V)**, the Scandinavian rare earth element player recently announced further results at its flagship Norra Karr project in Sweden with a very high percentage of heavies and strong zirconium values. It has monetized two iron ore projects with joint ventures and its pipeline of rare earth acquisitions in the region will continue. My timing on Tasman was not good as I wrote about it a week before the June Swoon ([Mercenary Musing, May 31, 2010](#)). It was 97 cents at the time, went as low as 51 cents, and has since rebounded to a latest close of 68 cents. Tasman is well-situated in Europe as the only REE explorer of significance.

Finally there is a company, **Animas Resources Ltd (ANI.V)**, which is not a paying sponsor but is an affiliate of my website, and I am a committed shareholder. I first wrote about ANI in my newsletter in the fall of 2008 after a visit to its flagship Santa Gertrudis project in northern Mexico ([Mercenary Musing, November 3, 2008](#)) and followed with an update six months later ([Mercenary Musing, April 13, 2009](#)). It

was trading at 64 cents in November 2008, fell as low as 27 cents when junior stocks were bludgeoned, rallied to a high of \$1.30 for the proverbial double in October 2009, hit an all time low of 22 cents three weeks ago, and closed at 32 cents today. Drill results at Santa Gertrudis have been disappointing but exploration is on-going and I remain hopeful that ultimately Animas will be successful on this district-wide play. Meanwhile, the company has a back-up plan with the addition of two joint venture gold plays in Nevada that have good exploration potential.

I remain bullish on the prospects of success for all of these companies. They are well-structured and well-run companies with robust flagship projects and viable business plans. They should prosper when the summer doldrums dissipate and if markets improve after Labor Day.

Now for a more somber note: Here are four companies that I've mused about and subsequently dropped as sponsors of my website.

Although I have dropped coverage, three of the four have been successful speculations using my Power of Two philosophy: 200% to 300% gains (although one took 13 months to achieve that goal). Hey, my standards are so high—even the stocks I rejected as sponsors have had significant returns!

And finally, there is the one dog I have held for seven months: It is simply a mal investment and will be shed by year end.

**Fission Energy (FIS.V)** was written about in January 2009 at 34 cents. I dropped coverage in late July of that year because of repeated insider selling at suspect and inopportune times. Note that I dropped the company as a sponsor but did not sell any shares because it has a very good play on the Midwest Trend in the Athabasca Basin of Saskatchewan. In February 2010 shareholders were rewarded with a significant uranium discovery at the aptly named Discovery Bay. It ran to \$1.20 for better than a three bagger and last traded at 63 cents. I took significant profits during the run up but still hold over 40% of my original position.

**Lydian International (LYD.T)** was covered in February 2009 when few knew who the company was, there was no trading volume, and there was no marketing or investor relations program. It was trading at 40 cents and ran to 88 cents a few months later on drill results and a good marketing strategy. I visited the Armenia project in the late summer of 2009 and liked the potential. However, repeated episodes of insider selling by management from the initial drill results thru the winter and a reluctance to communicate with me led to dropping of coverage. I sold my last tranche of Lydian at \$1.29 in late May with an overall return of 250 % and moved on to better opportunities.

**Oremex Resources Ltd (ORM.V)** became a sponsor in December 2009 after multiple meetings with management convinced me two major catalysts would produce significant upside to the 15 cent share price in short order. Neither happened and the company had no material news during the six month contract. I ceased coverage in early May. After financings at 13 and 11 cents, ORM is now trading at 6 cents. Folks, I made a serious error in judgment on this one. I will exit the entire stock position if I can recoup my cost basis in the mid-teens by late fall or take a tax loss to offset capital gains near the end of the year.

**Pediment Gold (PEZ.T)** was first covered in July of last year at 77 cents and traded as high as \$1.98 for more than a double. I visited its two flagship projects in the fall but did not renew coverage because geological work was incomplete. I renewed coverage in March on condition that specific geological tasks would be done within 90 days. Unfortunately they were not so the sponsorship was terminated in mid-

July. I sold my last tranche of Pediment at \$1.30 during the May market turmoil. I like PEZ's projects, management has shown great ability to promote the stock, and I may buy back in on further weakness.

I trust that this musing has been interesting and informative for both my loyal subscribers and casual readers. My perfect track record for the seven stocks held at least 12 months has astounded even me with doubles on three companies, triples on three, and one four bagger. Only time will tell if I can match that record with my seven picks since the end of 2009.

Folks, we've had a very strong run to the upside in junior resource stocks since I wrote my first company musing during the global financial crisis in the late summer of 2008. That strong market has played a major role in my recent success in the marketplace.

Rest assured that I will not forget the old adage: "Never confuse a bull market for brains."

May you always enjoy good trading, Ladies and Gentlemen.

Ciao for now,

Mickey Fulp  
Mercenary Geologist



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The [Mercenary Geologist Michael S. "Mickey" Fulp](#) is a Certified Professional Geologist with a B.Sc. Earth Sciences with honor from the University of Tulsa, and M.Sc. Geology from the University of New Mexico. Mickey has 30 years experience as an exploration geologist searching for economic deposits of base and precious metals, industrial minerals, uranium, coal, oil and gas, and water in North and South America, Europe, and Asia.

Mickey has worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for the past 22 years, specializing in geological mapping, property evaluation, and business development. In addition to Mickey's professional credentials and experience, he is high-altitude proficient, and is bilingual in English and Spanish. From 2003 to 2006, he made four outcrop ore discoveries in Peru, Nevada, Chile, and British Columbia.

Mickey is well-known throughout the mining and exploration community due to his ongoing work as an analyst, newsletter writer, and speaker.

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