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Season's Greetings from The Mercenary Geologist

For Subscribers Only

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Dear Subscriber:

A five-year commodities bear market finally reached its bottom in early 2016 when the lowest prices since the global economic crisis were reached. Despite another rough year for many junior resource sector companies, an incipient bull market for most commodities from precious and industrial metals to energy fluids and solids is now apparent. For the year, hard commodities generated the best returns of all sectors.

The TSX Venture Index was as usual driven by the price of gold. Its all-time low of 474 occurred on January 20, one day after gold closed one dollar off its yearly bottom at \$1086 per ounce. Gold rallied over the next seven months and the Venture Exchange rose in lock-step. 2016 was unusual in that both gold and the Index set yearly highs during the summer doldrums. The Index closed at 839 on August 16; gold closed that day at \$1355, only \$11 off its yearly high set in early July.

Following the seven month uptick with little respite, the junior market turned bearish by making lower highs and lower lows from its August high thru year end. A six-month low of 717 occurred on December 20 at the culmination of seasonal tax-loss selling. The Venture Index then exhibited its usual post-tax-loss rebound, closing today at 762 for a 2016 gain of 46%:



At MercenaryGeologist.com, we are dedicated to producing valuable analysis and research on commodities and equities. Our commitment to supply and demand fundamentals and contrarianism allows us to prosper regardless of market conditions.

However, many mining industry newsletter writers continue to struggle with small, stagnant or dwindling paid-subscription bases. Since I launched our brand in late April 2008, more writers have left the business than remain. Our contrarian sponsorship business model has proven to be very beneficial during the long bear market. The Mercenary Geologist opt-in subscriber base has stood at 6300 to 6400 for over two years and is a mere 8% off the all-time high set during the fall of 2013.

The toll on junior explorers and small miners has been brutal. Countless legacy companies undertook rollbacks, rebranding, reorganization, or reverse takeovers in 2016. Many others with lifestyle managers, diluted share structures, and/or meritless projects were rightly saddled with illiquidity, indifference, and irrelevance.

In an exhaustive analysis of 2015 annual financial statements, my friend Tony Simon documented 910 TSXV-listed “zombie” companies with a total of over \$4.2 billion in negative working capital. Folks, that is well over 50% of the listed issuers. Yikes!

Despite these pitfalls, we remain committed to profitable speculation in the junior minefield. Our work is anchored by a long-term secular view of world commodities demand driven by population growth.

I chose to proceed cautiously during 2016’s tenuous market and then in early Q4, renewed coverage on two select companies:

Gold explorer and long-term sponsor [Brazil Resources \(BRI.V\)](http://BrazilResources.com) came on board again. I initiated a new round of coverage in Q1 2015 at 54 cents and it hit a high of \$3.35 this summer. That’s a huge win for those who follow our Power of Two trading methodology. Acquisitions at the bottom of the market have increased the company’s global resources to over 18 million ounces of gold in Alaska, Brazil, and Colombia. With rebranding this month, the company is now [GoldMining Inc \(GOLD.V\)](http://GoldMining.com) and closed today at \$2.02. I anticipate covering this long-term sponsor when market conditions warrant in 2017.

We also welcomed another past sponsor [Mawson Resources Ltd \(MAW.T\)](http://MawsonResources.com), which I covered from late 2010 thru 2012. Mawson was one of our quickest success stories, returning 273% in just seven trading days in November 2010. I picked MAW at 43 cents on September 23 and it closed at a 52-week high of 56 cents on significant volume the following day. The company raised \$6 million in early December and is drilling away on its Rompas-Rajapalot gold discoveries in northern Finland. I am optimistic that the program will return good results. Mawson closed the year at 38 cents.

With respect to companies covered in 2015 and held over our time frame of ≤ 12 months with a target of double in price:

Uranium prospect generator [CanAlaska Uranium Ltd \(CVV.V\)](http://CanAlaskaUranium.com) was picked at 14 cents in mid-April 2015; it returned 260% with a high of 51 cents in late March 2016.

Gold and lithium prospect generator [Nevada Sunrise Gold \(NEV.V\)](http://NevadaSunriseGold.com) traded at 30.5 cents in mid-May 2015 and remained below that level for the next 12 months. I remain a significant shareholder of NEV.

Integrated domestic uranium producer [Energy Fuels Inc \(UUUU.MKT\)](http://EnergyFuels.com) renewed its sponsorship in early June 2015. My pick was at \$4.70 and the stock went to \$5.35 upon acquisition of Uranerz Energy. But

with the ongoing uranium supply glut and depressed spot prices at a 12-year low, it soon came off and never reached my pick price again in the intervening 11 months. Viable short-term strategies for UUUU are to average down or sell for a tax loss. I personally view Energy Fuels as a core holding in uranium space so obviously prefer the former.

In late July 2015, I covered uranium past producer and developer, [Uranium Resources Inc \(UREE.NASDAQ\)](#). The pick was at 83 cents; it went as high as 98 cents within a couple of weeks but that was a brief positive. In the subsequent months, it rolled back and sold core New Mexico uranium assets to cover its very high G &A. Recently the company changed its business model to become a junior lithium explorer in Nevada. URI was one of my worst calls ever and will be a tax-loss write-off in the future.

Now let's go to our products posted during 2016:

I wrote [24 musings](#) this year with a focus on the seasonality and correlation of important world-traded commodities and indices. We analyzed gold, silver, copper, oil, uranium, the Canadian dollar, Toronto Venture Exchange, and Baltic Dry Index. Other subjects included field trips to the high desert of New Mexico and the Yukon, a treatise on war and peace, and essays on the life cycle of money, the fallacy of belief, and the concept of perfection.

I did [108 interviews](#) and made [13 video](#) appearances. We now have three regular podcast programs: the weekly Metals, Money, and Markets update with Erick Bertsch of MiningClips.com was spawned in early April and is recorded after market on Fridays; Mercenary Musings Radio with Rob Graham with a focus on commodities and exclusive syndication to Kitco.com will soon enter its 8th year and is now a monthly production; and the very popular Monthly Market Review with Kerry Lutz of the Financial Survival Network is averaging well over 10,000 listeners for every show.

Our 24/7 streaming internet radio station, [MercenaryGeologist.fm](#), rotates my interviews over the past two or three months and has regular listeners tuning in from 35 countries.

We continue to grow our Twitter feed: [@mercenarygeo](#) now stands at over 59,000 followers for a gain of 14% for the year. We are the clearly the industry leader in this social media platform. My IT team constantly monitors the Twitter account to attract quality followers from the resource and investing sectors and quickly eliminate spammers and robots. Our tweets cover a cornucopia of subjects including business news, commodities, equities, geopolitics, geological phenomena such as earthquakes and volcanic eruptions, individual rights and freedom, libertarian ideals, outdoor hobbies, and American spectator sports.

Given the long bear market for commodities, most North American mining investment conferences have ceased to exist. As a result, I made four [public speaking appearances](#) in 2016. I spoke at the two largest shows: the Vancouver Cambridge House in January and the PDAC in Toronto in early March. I was also an invited speaker at the Capitalism and Morality Symposium in Vancouver in late July. While on a project visit in northern Finland in mid-October, I was honored to present a talk and spend an afternoon mentoring young economic geologists at Oulu Mining School.

As always, my appreciation goes to those who make my business tick. I am the front man at [MercenaryGeologist.com](#); it is the behind-the-scenes folks who deliver my products to you on a timely basis.

Web wizard Raffaele Della Peruta continues his invaluable back-end work since launch of this business. The efficient Kirsty Hogg is in year six as our social media and promotions manager. Our primo student research assistant, Steve Sweeney, took a real job as an economic research analyst in Vail, Colorado in late October. As Steve was going out the door, he recommended a math and physics undergraduate from his student investment club. I interviewed and immediately hired Troy McIntyre as our new research assistant for the commodity and equity markets.

Thanks go to my workers, friends, and neighbors in New Mexico's South Valley who tend the farm and keep watch while I travel.

Finally, my appreciation for you as a loyal subscriber is unwavering; we will be successful only if you continue to have interest in what I write and say. Rest assured that I will be honest in my opinions, outspoken in my ideas, and consistent in my core values. As always, we welcome and value your input and comments via Contact@MercenaryGeologist.com.

Last year at this time, I stated there was no end in sight for the downturn in hard commodities. As seasoned professional speculators, we knew that the mining and energy markets would inevitably turn positive. That said, I was surprised how quickly and strongly the markets ran to the upside.

An unabashed devotion to contrarian market ideas is what distinguishes us from the majority of junior resource pundits. We remain mindful that most money is made by early positioning before capital markets turn bullish. Contrarianism requires diligent research and market understanding, but most of all, patience and commitment to a well-defined speculative strategy. Our unique Power of Two trading methodology is that strategy ([Mercenary Musing, May 10, 2010](#)).

We wish you and yours an abundance of holiday cheer. I am optimistic that the bull market in commodities will continue throughout 2017 and remain committed to many good companies by holding significant share positions. I am also seeking and participating in new ideas, deals, and startup companies in both the public and private venues. You may trust that I will bring the best of these to your attention at the best of times for successful speculation.

Folks, please remember that profit-taking is never a bad move, and it is an especially sound strategy in the volatile junior resource market. You must trade to make money!

And may all your trades be to the upside.

Ciao for now,

Mickey Fulp
Mercenary Geologist



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 35 years experience as an exploration geologist and analyst 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 worked for junior explorers, major mining companies, private companies, and investors as a consulting economic geologist for over 20 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 and highly respected throughout the mining and exploration community due to his ongoing work as an analyst, writer, and speaker.

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