



Mercenary Alert: Is a Royalty Re-Rating Already in the Works?

A Special Alert Musing from Mickey the Mercenary Geologist

For Subscribers Only

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In conjuring this title, I realized it has been a mere five weeks since I wrote about the acceleration of [Ely Gold Royalties](#) into junior royalty space ([Mercenary Musing, June 17, 2019](#)).

In the interim, the stock has continued a steady climb upwards from 18 cents and hit an intraday high of 25.5 cents today.

So I started thinking ... and wondering ... and asking.

ELY underwent a market re-rating from October to late February with a double in market capitalization as it transitioned from a Nevada prospect generator to a hybrid company with gold royalty interests.

In late April and early May, it was at a 2.5 year high at 20.5 cents and then pulled back a bit to 18 cents a month ago.

By then, the various royalty and property deals it announced had closed or were on the verge of doing such.

Meanwhile, the price of gold soared from its yearly low of \$1272 in late May to \$1445 late last week before falling back to the \$1425 level. That's a 12% move in less than two months.

Another catalyst for ELY's recent rise is closing of the sale of a small royalty interest in Quebec and a strategic private placement with Toronto speculator Eric Sprott.

The one-year chart is below. In my opinion, it is quite constructive with higher highs and higher lows since October:



Market capitalization is now at \$25 million dollars; that's more than triple what it was when I initiated coverage in late February 2018.

The company's transformation over the past 1.5 years has been both successful and impressive:

- Ely Gold Royalties' pipeline of Nevada gold properties continues with its large proprietary database and over 70 projects in play. 33 are deeded royalties, 20 are under 100% option to partners, and 20 are currently available. Property options are four-year terms and always include a royalty once the sale is consummated.
- The company has upgraded its option partners list. They include nine current gold miners ranging from majors to small caps and several well-established junior explorers. I expect more upgrades to occur.
- It added a Rick Rule-led fund and Eric Sprott as significant shareholders over the past 10 months.
- ELY purchased four gold royalties in 2019; three of those will deliver cash flow this year.
- Working capital position is up to \$3.6 million in cash and tradable securities.
- The company projects revenue to exceed US \$3 million in 2019.

The company is now drawing comparisons to junior royalty peers that have market caps six to seven times higher.

Based on precedent, Ely management makes the case that it is entering a sweet spot for junior royalty companies whereby market capitalizations leap-frog over the course of a couple of years. Examples they point to include Sandstorm Gold, Metalla Royalty, and Abitibi Royalties.

If this suggestion proves correct, subscribers who got in early and took well-earned profits might want to redeploy some capital into ELY before the next move up.

Likewise if you are new to the story or did not act on my initial idea last year, this could prove to be a good entry point in the low 20 cent range.

Regardless, more royalty deals and property options are likely in the works and therefore, we are aiming for another re-rating of Ely Gold Royalties that could produce a double within the next 12 months.

I am looking to add more of my own capital into this company but I do not intend to chase the stock. Although it gapped up today, my target price remains in the low 20s. Note that my views are skewed by speculative dollars in Ely Gold Royalties and the fee it pays to sponsor my website.

All in all, a near-term re-rating seems a reasonable possibility; check out the new [corporate presentation](#) and see what you think.

On another note, ELY will exhibit at the [Spratt Resource Investment Conference](#) in Vancouver, July 30 to August 2, and I will be making two public speaking appearances. As per usual, there will be many interview opportunities and chats with high net worth speculators about resource companies that have recently caught my attention.

Ciao for now,

Mickey Fulp
Mercenary Geologist



The [Mercenary Geologist Michael S. “Mickey” Fulp](#) is a Certified Professional Geologist with a B.Sc. in Earth Sciences with honor from the University of Tulsa, and M.Sc. in Geology from the University of New Mexico. Mickey has 35 years of 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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