



Mercenary Alert: No Longer a Stan So This Project Is Good to Go

A Special Alert Musing from Mickey the Mercenary Geologist

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[Contact@MercenaryGeologist.com](mailto:contact@mercenarygeologist.com)

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I've said this many times over my 27 years as a junior resource speculator: "I won't put my money into any country that ends in "stan". My reasoning is simple: Most of these countries are ex-satellites of the USSR and have a long legacy of fascism, corruption, bribery, and instability. And to this day, many are under control or influence of Russian organized crime and/or radical Islamic fundamentalists.

The legacy of Canadian-listed exploration and mining companies with failed, extorted, nationalized, or otherwise expropriated mining ventures in this collective cabal of countries is a tale for another time.

As with all the junior exploration companies that attract my speculative dollars, it starts with the project. I obviously think that the frontier gold project described below merits the increased geopolitical risk associated with a former Stan nation.

The Kyrgyz Republic, formerly known as "Kyrgyzstan" in Soviet days, is the host country. So as far as semantics go, I have maintained my track record of avoiding *the Stans* as an investor.

Over the past year, I participated in two placements at 20 cents in a private company, Realgold Resources, with compelling gold targets in the Kyrgyz Republic.

Since I am a geologist, let's start there. The country has a long history of Soviet mineral production that dates from the 1930s until collapse of that collective and Kyrgyzstan independence in 1991. However, the Russians generally exploited base and rare metal ores and not gold, the current target of many companies.

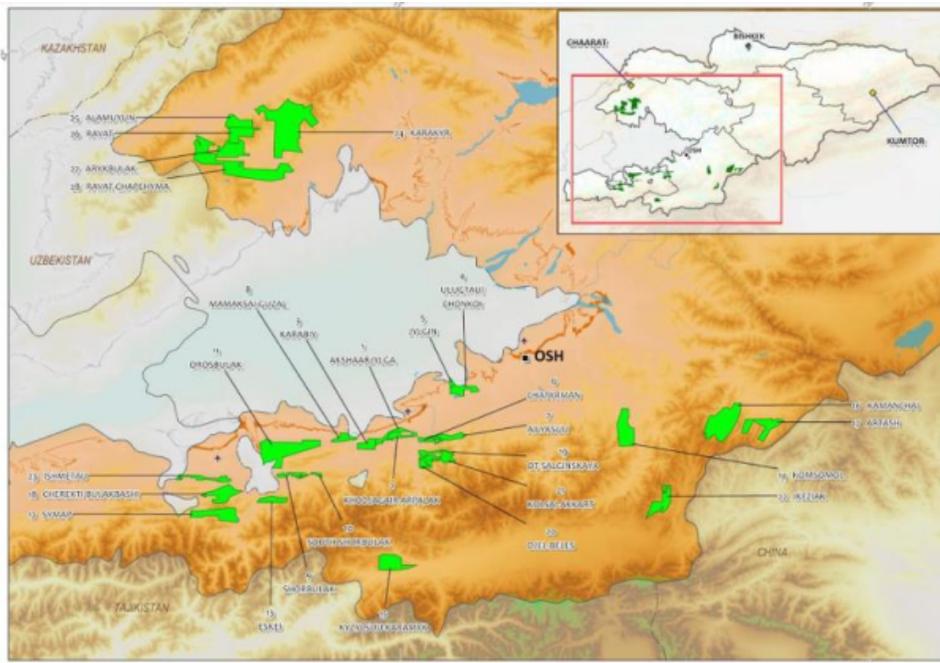
The Tien Shen metallogenic belt is one of the most prolific in the world for gold, base metals, specialty metals, and rare earth deposits:



The Kyrgyz portion of the Tien Shen is elephant country for gold, as witnessed by Centerra Gold’s Kumtor mine with historic production of over 12 million ounces and another 9.0 million in measured and indicated resources. Other major gold deposits include Chaarat at 6.4 million ounces, Kuru-Tegerek at 3.0 million, Jerooy at 5.6 million, Taldy-Bulak at 4.1 million, and Makmal at 1.6 million ounces.

These are black shale-hosted, orogenic and intrusive-related, mesothermal gold deposits and are located in the northern and central Tien Shen belts. This type of deposit hosts some of the world’s largest gold mines including the 175 million ounce Muruntau mine in Uzbekistan.

RealGold holds 28 exploration licenses in two major blocks, 16 in the southwest with 1704 sq km and five in the northwest with 1037 sq km. License fees for 2019 are US \$18,600 and escalate incrementally going forward.



In contrast with the two other belts of gold deposits in the Tien Shen, the southern belt hosts Carlin-type gold occurrences within a broad area of past mercury, antimony, and fluorite mining. The southwestern Kyrgyz Republic is a new frontier area for gold deposits and is Realgold's primary target.

The region was mined extensively by the Soviets and especially for mercury and antimony. The Khaidarkan mercury deposits constitute the world's second largest district, were exploited by open-pits and 800 km of underground workings over seven km of strike length to 750 m, and remain open at depth. Production is estimated at 27,500 tonnes of mercury over 55 years. The Khadamjai antimony mines were the largest in the Soviet Union with several hundred km of underground and open-pit workings and produced approximately 600,000 tonnes of antimony over 60 years.

Despite the massive amounts of mercury and antimony mined in southwestern Kyrgyz during the time of communist rule, there has been little exploration for gold. From 1995 to 1998, limited reconnaissance exploration and drilling were done by Barrick Gold and Phelps Dodge. From 2005 to 2011, Manas Resources, an Australian public company, drilled out shallow gold deposits at Chauvai and reported a loosely-constrained resource of 1.1 million ounces gold in 2008.

The idea for and impetus behind this exciting new gold play came from economic geologist Doug Kirwin, well-known for his previous role as Executive Vice President at Oyu Tolgoi in Mongolia for Ivanhoe Mines over 17 years. I was introduced to the deal and invited to invest by Doug about a year ago, joining some of the renowned financiers in the junior resource sector.

Based on Doug's research and due diligence in mid- to late 2016, Realgold Resources soon discovered gold targets peripheral to and within several past mercury and antimony mines. Financed by two raises totaling \$11 million, it conducted regional prospecting, sampling, mapping, trenching, and first-pass drilling in 2017 and 2018.

The prospective rocks are early to mid-Paleozoic carbonaceous, limy shales/siltstones, and silty limestones that contain ore-grade gold along with the usual trace metal suite (arsenic, antimony, mercury, and thallium) plus fluorine. Gold is associated with abundant jasperoids. Alteration is also typical for this class of deposit with decalcification, silicification, and argillization.

Realgold Resources drilled 84 shallow reconnaissance holes totaling 8100 meters over two large target areas. Drill intercepts had generally low-grade gold values over 62 holes in the Chauvai group of licenses.

However, gold intercepts in the Ulaghua group of concessions were quite impressive and included 21.0 m grading 33.7 g/t Au, 15.3 m of 7.4 g/t Au, 12.0 m of 23.7 g/t Au, and 15.0 m of 20.4 g/t.

Below are a rock sample and drill core from RealGold Resources' latest presentation showing Carlin-type, black carbonate host rocks, arsenic sulfide mineralization, and decalcification plus silicification:



The company recently raised another \$2 million and is now embarked on a 35-hole drill program with initial results from a few holes expected soon. This is a photo from the first drill hole:



The region west of the Republic's second largest city of Osh is well-served with a paved highway providing access to the licenses. There is a local drill contractor (and a significant Realgold shareholder) with four modern core rigs and a major certified assay lab in the capital city of Bishtek. The area has relatively low altitudes and moderate topography with a continental climate of hot summers and cold winters:



Osh has been a center of commerce for 2000 years, was a major market along the Silk Road, and has a population of about 500,000 residents including suburbs and surrounding villages:



Exploration is much less advanced on the five northwest licenses but in the late 1980s, a geologist compared gold-arsenic-antimony-thallium deposits in the region to Carlin.

Now let's delve into the geopolitics of the Central Asian country. This map is from the CIA's World Factbook and given the neighborhood, it is not as bad as you have likely presumed:



- The Kyrgyz Republic has a democratically-elected government with its latest election certified by the European Union.
- Because of 55 years of Soviet rule, it has a very high literacy rate at 99.5%.

- It is mostly a secular Muslim nation of moderate and tolerant Sunnis. Orthodox Christians comprise a significant minority and the country observes both Muslim and Christian holidays.
- The country's relative stability compared to neighboring Tajikistan to the south and southwest is aided by rugged mountainous borders. The mountains also protect it from ongoing ethnic problems in China's Xinjiang Autonomous Province to the southeast.
- In 2010, the World Bank aided in formulation of a modern, business-friendly mining code.
- It is a member of and adheres to the Extractive Industries Transparency Initiative headquartered in Oslo, Norway.
- The Kyrgyz are highly dependent on the giant Kumtor gold mine, which has been operated continuously since 1997, first by Cameco and then its spin-out Centerra Gold. Kumtor contributes about 10% of GDP and 43% of export revenues.

That said, the country is not without challenges and problems:

- It is a poor, sparsely populated (6.4 million people), and largely rural country with a nominal GDP of \$8.1 billion, ranking 157th in the world.
- It is ranked 122nd on the Human Development Index.
- Transparency International's 2017 Corruption Perceptions Index rank it as the 135th least corrupt.
- Russia and China compete for economic influence; Western World foreign investment is minimal except for Centerra Gold.
- China is owed \$1.7 billion of the Kyrgyz' total of \$3.8 billion debt; there was widespread corruption associated with these Chinese loans.
- It is a member of the Collective Security Treaty Organization that is operated by Russia.
- Two 21st Century revolutions in 2005 and 2010 sent two corrupt presidents into exile. However, the latter resulted in a new democratic constitution.
- Uzbekistan maintains a closed border with the Kyrgyz Republic.
- The city of Osh lost most of its industrial base after the Soviet collapse. There was ethnic violence between majority Kyrgyz and minority Uzbeks in 1990 and 2010. Osh was the center of the 2010 rebellion with many Uzbeks fleeing to that country.
- There was a long-lived legal dispute between the Kyrgyz Republic and Centerra Gold dating from the 2003 Cameco spinout. It included ownership, corruption, profit repatriation, and tax-related issues.

On the other hand, the Kyrgyz mining code is modern, well-constructed, and supportive of the industry. Included are:

- 100% foreign ownership;
- five-year prospecting license with reasonably escalating fees per hectare and renewable;
- exclusive right to convert to a 20-year mining license upon discovery and extendable until depletion;
- no restriction on repatriation of profits or issuance of dividends;
- no export or withholding taxes on mining products including gold;
- no requirement for state ownership of mines.

The entire tax regime is transparent and based solely on mine revenues:

- 5% royalty on revenues;
- 2% of revenues for local infrastructure;
- taxes based on revenues and gold price: 1% for gold up to \$1300 and 3% up to \$1400;
- tax increases of 2% on revenues per every \$1000 to \$1800 gold price; further increases of 1% per every \$1000 up to \$2500 per ounce.

A previous concern for investors was the 15-year legal dispute between Centerra Gold, the majority owner of Kumtor, and its minority partner, the Kyrgyz government. That said, the mine has operated efficiently, continuously, and profitably since opening nearly 22 years ago.

Notice I said, “was”. Completion of the [strategic agreement](#) settling this long-standing snafu was announced last week by Centerra Gold.

Here is a pending opportunity for junior resource speculators:

On July 22, [Rockwealth Resources \(RWR.V\)](#), a Venture Exchange shell controlled by Kelowna-based promoter and CEO Dev Randhawa and his team, announced an exclusivity agreement until October 17 to conduct due diligence on Realgold Resources and define terms of a letter of intent for acquiring its properties in the Kyrgyz Republic.

Rockwealth’s price doubled on the news. A subsequent release on July 29 announced that Randhawa and various third parties contributed a total of \$400,000 to a recent Realgold private placement that raised \$2.0 million at 20 cents. I also participated in this financing.

Trading in RWR.V was halted at 46 cents on August 29. I am not privy to the reason but presume it is for release of drill results from Realgold.

When Rockwealth Resources returns to trading, I will post about speculating in the company based on its share price, new drill results, and status of the deal with Realgold. Note that as a shell, RWR will likely

have little liquidity so establishing a position may be problematic until a property transaction is completed and financed. In addition, there is always risk that the two companies will not enter into an agreement. Until clarity is established, I can suggest putting Rockwealth Resources on your watch list as I have done in my stock basket of prospects.

I chose this project because of its high potential to host world-class Carlin-type gold deposits in previously untested geological terrane. However, it is at a very early stage and therefore, a high risk gold play with potentially high rewards. It is located in a country that has improved substantially over the past nine years but still carries significant geopolitical risk.

Please note that my money is invested in privately-held Realgold Resources and Rockwealth Resources is a newly-minted paying sponsor of this website. Therefore, the opinions presented herein are biased to the upside for consummation of a deal and future exploration success.

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 40 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.

Contact: Contact@MercenaryGeologist.com

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