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Chicago Resource Expo

A Monday Morning Musing from Mickey the Mercenary Geologist

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Last week I traveled to Chicago for a Rich Radez Chicago Resource Expo. For those not familiar, this is a long-established (31st year!) boutique investment conference held in the Windy City twice a year. I was introduced to Rich nearly a year ago by Jay Taylor. Rich and I went field tripping and fishing (of course) in Kenora, Ontario with his sons, Eric and Ryan, George Messoroch of Rich's group, Bill Darnell, a Chicago bond trader, and Bob Moriarty of 321 Gold. It was both a fun and a productive trip. My introduction to and subsequent coverage of rare metals explorer Avalon Ventures commenced on that field visit.



Analyst tour, Kenora Ontario, June 2007. Seated: Messoroch, Rich Radez, Moriarty; Standing: Darnell, Fulp, Eric Radez; Shadow taking photo: Ryan Radez.

Rich is very kind to me. Since our first meeting, he has extended invitations to participate on panel discussions at his shows and, at this one, we conducted a half-day workshop on investing in junior resource stocks. His show is one of a kind: Rich invites only 30 select companies; the show is free for all that pre-register; it is small and intimate and lasts a day and a half; and it gives all who attend an ability to talk one-on-one with media and company principals alike. The 300+ attendees are generally of high net worth and are well-versed and educated in the fundamental investment principals that drive our venture capital business.

It started on Friday afternoon, April 25, with our well-received workshop, was followed by a free buffet and bar, company CEO presentations, and finally a panel discussion moderated by Steve Carr and including Clyde Harrison of the Brookshire Raw Materials Fund, Jay Taylor of Gold and Technology Stocks, Bob Moriarty of 321 Gold, Ty Andros of Tedbits, and me, the Mercenary Geologist. Questions were fielded from the audience on macroeconomic issues including the USA economy and politics, precious metals as an essential component of assets and a hedge against calamity, commodities and prices, and of course, the lurking dragon, China as it completes its emergence from the dark ages of 50 years of communism into the modern world of capitalism.



Panel discussion, Chicago Resource Expo: Andros, Moriarty, Taylor, Fulp, Harrison, Carr.

During the panel discussion, I was asked a particularly poignant question regarding which of the mainstream Presidential candidates would be best for my contrarian investing philosophy, and got a big round of applause by saying, “None of the above. I am a Libertarian and **I will vote for Ron Paul.**” The Friday night session ended at 9pm, I talked with several interesting investors, and then proceeded to the bar to wet a whistle that had been used and abused by speaking for countless hours that day.

The show continued from early morning to early evening on Saturday with company CEO presentations, private meetings with interested investors, buffet lunch, a panel discussion with all the earlier participants joined by Steve Carr of Commodities Bull and Bear Report, a final appetizer buffet and bar, and the grand finale, a stimulating keynote address by Clyde Harrison on the secular bull market in commodities (agriculture, minerals, and energy) that he is predicting to last for another 10-15 years.

After another late night session at the bar, on Sunday morning baseball fans Bill Darnell (the aforementioned bond trader), Craig Christy of Strathmore Minerals, and my Chicago-land buddy Tim-Fred Burke (who saved my life 31 years ago, more on that some other time), made a quick trip to Milwaukee to see the Marlins beat the Brewers 3-2 in 10 innings at Miller Park. A good time was had by all and many thanks to Bill for procuring tickets and driving to Milwaukee and back. I owe you one Big Bill.

So what did I glean from the Chicago conference? Here are a few thoughts:

- 1). We are in a secular bull market for all commodities. Demand is largely driven by emerging nations such as China, India, Brazil, and Vietnam. These are the new bastions of capitalism. They see what we have in America, they want it too, and they want it now.
- 2). We are in a current bear market for junior resource stocks. How long it lasts is subject to debate amongst all of us. As the major markets continue to flounder, financial institutions and hedge funds have sold any and all holdings of value to cover margin calls. As a result, liquidity is low, investors have become increasingly risk-adverse, and venture capital has all but dried up. These are the reasons why

junior resource stocks have increasingly decoupled from concomitant record high commodity prices over the past nine months. Most juniors are trading at 30-50% of their share prices in October 2007 and are even more deeply discounted from highs last May and June.

3). The quality of junior companies participating in Rich's show was unequaled by any other investment conference I have attended in the past year. I know the principals and have previous knowledge of at least half of the 30 companies that presented and exhibited. A few have been pursuing me for a year or more to initiate coverage. I would merely listen and say, "Your company is not undervalued with its present market capitalization". There was little upside and huge downside. Now some of those same companies, with a huge hit in share price and therefore, market cap, are undervalued and attractive investments.

4). I presently see value in junior oil and gas deals with new discoveries or ramping up production and a few select junior mineral companies with the requisite share structure, people, and flagship project.

5). My recent junior mineral company investments have the following characteristics: experienced principals who have been thru tumultuous markets in previous cycles; advanced stage properties that are nearing development decisions, startup of production, or increasing production; substantial working capital that will be sufficient to fund all activities for one-two years; and no overhang of cheap warrants that can effectively cap share price and not add much to company coffers. I am presently concentrating on gold companies in this sector.

However, folks, I must caution as always: Do your own web-based research, call and talk to company representatives, analyze what you have read and heard, and make up your own mind.

This morning I'm on my way to a mentoring gig at New Mexico Institute of Mining and Technology in Socorro, New Mexico. Fellow geologist and friend, Dr. Bill Chavez, has asked me to evaluate final presentations for his Mineral Economics class. This will be loads of fun!

Ciao for now,

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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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