



## Mercenary Alert: Ely Gold Royalties Executes its Game Plan to Perfection

A Special Alert Musing from Mickey the Mercenary Geologist

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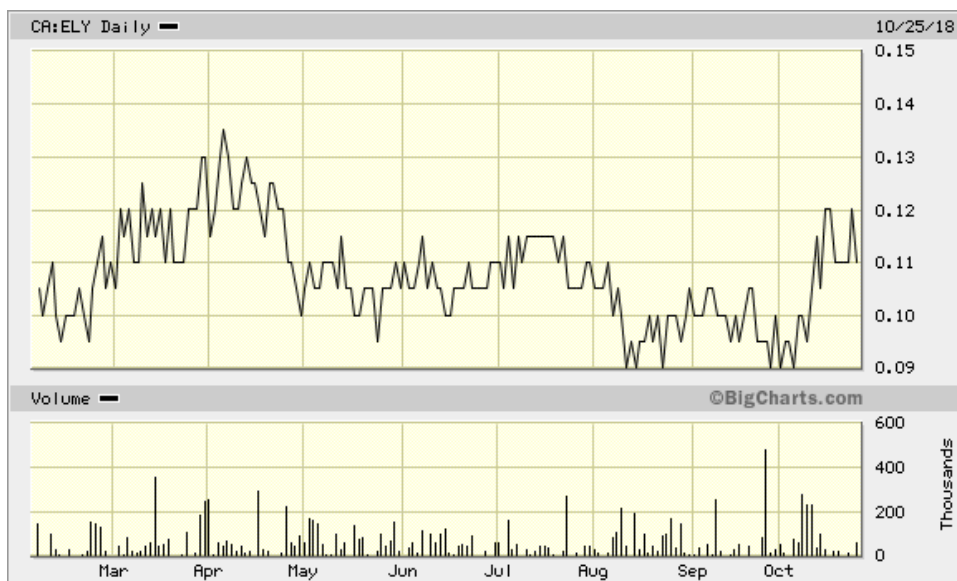
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Given a stronger gold price over the past three weeks, it seems a good time for an update on prospect generator and royalty company [Ely Gold Royalties Inc \(ELY.TSXV; ELYGF.OTCQB\)](#). I initiated coverage on February 2. Since then, the company has been very busy staking, acquiring, and optioning new properties and royalties.

I picked ELY at its 52-week low of 9 cents. Here is the chart showing its high of 13.5 cents and today's close at 11 cents. Considering the poor performance for gold, down over 5% so far in 2018, the positive performance of Ely Gold Royalties is encouraging.

Over the past nine months, liquidity has been somewhat spotty but quite good overall for those who wanted to enter or add to positions on dips:



Let's review the company's news flow since early February.

First, the property deals:

- In late February, ELY optioned another property, North Carlin, in Elko County, Nevada to favored partner Fremont Gold Ltd for annual payments and a 2% NSR. The project is on the north extension of the Carlin Trend and adjacent to the currently operating Rossi barite mine and near the South Arturo gold deposit held by Barrick Gold / Premier Gold Mines. Note that I recently looked at this ground with Fremont geologists.
- In mid-March, it sold the 54-claim County Line property in Mineral and Nye Counties, Nevada to another favored partner, Gold Resources Corp, for a lump sum payment and retained a 3% NSR.
- In late March, the company optioned its four Monitor claims in Nye Country, Nevada to Orla Mining Ltd and retained a 2.5% NSR.
- In early May, ELY sold its Kraut project consisting of six unpatented mining claims in Nye Country, Nevada to VR Resources for cash and shares and retained a 2.0% NSR. It also holds a 3% NSR on VR Resources' flagship Danbo project located five km away.
- In early August, Ely Gold Royalties optioned the 11-claim Stateline project in Iron County, Utah to private company Pyramid Gold Inc for annual payments and retained a 2% NSR.
- On Friday, the company announced acquisition of three new properties. It staked 31 claims at Rodeo Creek, Elko County, Nevada, adjacent to the aforementioned South Arturo joint venture. It staked the Musgrove Creek prospect, Lemhi County, Idaho, which has a historic resource drilled by Atlas Gold and Newmont Mining. ELY was also granted a state lease on 551 acres in the Delamar district, Owyhee County, Idaho, a property previously explored by Agnico Eagle Mines.

On the royalty front:

- In mid-October, ELY acquired the Fenelon 1% NSR in southwestern Quebec from Balmoral Resources for total consideration of C\$500,000, one million shares, and one million warrants at 10 cents and a finder's fee of C\$25,000, 50,000 shares, and 50,000 warrants. Wallbridge Mining is currently mining a 35,000 tonne bulk sample underground that is expected to produce about 20,000 oz gold once processed in a regional toll mill.
- This week, ELY announced a binding agreement with a private individual to acquire a 0.75% gross royalty for \$300,000 on the Isabella-Pearl property of Gold Resource Corp. The transaction should close on or around November 15. The Isabella-Pearl mine is expected to commence production in June 2019 and produce 153,000 ounces of gold over a four-year mine life.

And finally, a significant business development:

- In early August, Ely Gold Royalties obtained an OTCBB listing with the symbol ELYGF. Trading on the OTCQB allows the company to expand its financial communications in the United States and reduce trading limits and restrictions thus improving liquidity for investors.

At this juncture, ELY has 77 properties with 51 currently undergoing exploration by partners: 27 properties with deeded royalties and 24 under option. The company's projects are continuously generated from one of the largest geological databases in the Western US and focused on Nevada, arguably the best gold jurisdiction in the world ([Mercenary Musing, January 29, 2018](#)). Another 27 properties are currently available for option.

Over the past couple of years, the company has increasingly concentrated on the royalty aspect of its business strategy by growing income from its option portfolio via advance royalty payments and purchasing royalties at reasonable cost from third parties.

The company operates with low overhead, is highly leveraged to the price of gold, and is severely undervalued with respect to its peers in the emerging junior royalty space. Its business model restricts share dilution, the bane of most juniors. In fact, ELY has done only one financing over the past seven years. It projects annual revenue to exceed US\$2.0 million and should be cash flow positive in 2018.

The share structure remains relatively tight for a junior company that is over eight years old. There are 80.1 million shares outstanding, and 89.0 million fully diluted including 6.9 million options, and 2.0 million options at 10 cents with expiry in 18 months. Management controls 11% of the shares and another 25% are tightly held by family and friends. With today's close at 11 cents, market capitalization is less than C\$9 million.

This map of Nevada shows most of the company's property holdings:



Recently updated tables list the property holdings and their current status:

## Royalty Portfolio

Project Name	Interest	County	Royalty	2018 Payment	Owner/ Operator	Type	Historic Resource
County Line	100%	Nye	2.50%	\$300,000	Gold Resource	Development	
Gold Rock	100%	White Pine	0.50%	None	Fiore Exploration	Development	43-101 Resources
Isabella	100%	Mineral	2.50%	None	Gold Resource	Development	
Mina Gold	100%	Mineral	3.00%	None	Gold Resource	Development	97,000 Oz.
Mt Hamilton	100%	White Pine	1.00%	None	Waterton Global	Development	43-101 Resources
Atlanta	100%	Lincoln	3.00%	None	Meadow Bay Gold	Exploration	
Bald Peak	100%	Mineral	3.00%	\$25,000	Radius Gold	Exploration	
Danbo	100%	Nye	3.00%	None	VR Resources	Exploration	
Fenelon	100%	Quebec	1.00%	None	Wallbridge Mining	Development	43-101 Reserves
Gilbert South	100%	Esmeralda	1.00%	None	Renaissance	Exploration	
Gold Rock Extention	100%	White Pine	2.00%	None	Fiore Gold	Exploration	
Green Springs	100%	White Pine	2.50%	\$5,000	John Cox	Exploration	Historic Resources
Gutsy	100%	Elko	0.50%	None	Eurasian Minerals	Exploration	
Hackberry	100%	Mohave	2.00%	None	Bitterroot Resources	Exploration	
Kismet	100%	White Pine	2.00%	None	Eurasian Minerals	Exploration	
Kraut	100%	Nye	3.00%	None	VR Resources	Exploration	
Mt Wilson	100%	White Pine	2.00%	None	National Treasure	Exploration	
Pilot Mountain	100%	Mineral	2.00%	\$40,000	Thor Mining	Development	Historic Resources
Quartz Mountain	100%	Lake	0.25%	None	Alamos Gold	Development	43-101 Resources
Maggie Creek	100%	Eureka	1.00%	None	Renaissance	Exploration	
New Boston	100%	Mineral	2.00%	None	VR Resources	Exploration	
Rosial	100%	Pershing	1.50%	None	Alio Gold	Exploration	
Scossa	100%	Pershing	2.00%	None	Romios Gold	Exploration	
Troy	100%	Nye	Au,Ag	\$15,000	Brocade Metals	Exploration	
Turquoise	100%	Humboldt	2.00%	None	Barrick	Exploration	
Tuscarora	100%	Elko	2.00%	\$4,000	America Pacific	Exploration	

## Development Royalty Portfolio

Project Name	Operator	Type	Royalty	AMR Payment	Status	Resource MM&I
Fenelon	Wallbridge	Royalty	1.00%	None	Bulk Testing	98,000 Oz Au
Isabella 1	Gold Resource	Royalty	0.75%	None	Construction	P&P ounces
Isabella 2	Gold Resource	Royalty	2.50%	None	Construction	None
Gold Rock	Fiore gold	Royalty	0.50%	None	Permitted	97,000 Oz Au
Mina Gold	Gold Resource	Royalty	3.00%	None	Drilling	97,000 Oz Au
Mt Hamilton	Waterton Global	Royalty	1.00%	None	Permitted	275,000 Oz Au
Castle/Eastside	Allegiant	Option	2.00%	\$35,000	Drilling	272,000 Oz Au
Gold Bar	Fremont Gold	Option	2.00%	\$150,000	Drilling	170,514 Oz Au
Gold Canyon	Fremont Gold	Option	2.00%	\$187,500	Permitting	27,000 Oz Au
Pilot Mountain	Thor Mining	Royalty	2.00%	\$40,000	Tungsten Development	11.73 MT
Quartz Mountain	Alamos Gold	Option	0.25%	None	Permitting	1.5M Oz Au

## Option Portfolio

Project Name	Interest	County	Metals	2018 Payment	Partner/ Operator	Historic Resources
<b>NEVADA PROPERTIES</b>						
Aphro	100%	Nye	Au,Ag	\$2,000	Orla Mining	
Castle/Black Rock	100%	Nye	Au,Ag	\$35,000	Allegiant	272,153 oz.
Cimarron	100%	Nye	Au,Ag	\$25,000	Ridgestone Mining	Historic Resources
Gold Bar	100%	Eureka	Au,Ag	\$150,000	Fremont Gold	170,514 oz.
Gold Canyon	100%	Eureka	Au,Ag	\$187,500	Fremont Gold	Historic Resources
Gilbert South	100%	Esmeralda	Au,Ag	\$20,000	Renaissance Exploration	
Hog Ranch	50%	Washoe	Au,Ag	\$40,000	Hog Ranch Minerals Inc	Historic Resources
Hurricane	100%	Lander	Au,Ag	\$15,000	Fremont Gold	
Idaho State Lease	100%	Delamar	Au,Ag	\$20,000	Integra	
Moho	100%	Mineral	Au,Ag	\$25,000	Hochschild Mining	
Morgan Pass	100%	Elko	Au,Ag	\$25,000	Wright Parks	
North Carlin	100%	Elko	Au, Ag	\$2,000	Fremont Gold	
Oro Grande	100%	Idaho	Au, Ag	\$15,000	Idaho Champion	
Olympic	100%	Mineral	Au,Ag	\$20,000	Hochschild Mining	
Racey	100%	Oregon	Au,Ag	0	Aurion Resources	Historic Resources
Redlich Gold	100%	Esmeralda	Au,Ag	\$25,000	Hochschild Mining	
Rodeo Creek	100%	Elko	Au,Ag	\$50,000	Premier Gold	
Rudi	100%	Pershing	Au,Ag	\$10,000	Pershing Gold	
Stateline	100%	Utah	Au,Ag	\$10,000	Pyramid Gold	
Sunrise	100%	Arizona	Au,Ag	\$20,000	I AM Mining	Historic Resources
Tonopah West	100%	Esmeralda	Au,Ag	\$125,000	Coeur Mining	
Weepah	100%	Esmeralda	Au,Ag	\$100,000	Valterra Resources	

## Available Properties

Project Name	Interest	County	Metals	Comments
<b>NEVADA PROPERTIES</b>				
Castle West	100%	Esmeralda	Au,Ag	Adjacent to Renaissance
Charlie Creek	100%	Lander	Au,Ag	Carlin-type gold system
Clayton Ridge	100%	Esmeralda	Au,Ag	High Grade Vein/Bulk target
Dyke Hot Springs	100%	Humboldt	Au,Ag	High Grade Vein/Bulk target
Edna Mountain	100%	Humboldt	Au,Ag	High Grade Vein Target
Golden Shears	100%	Humboldt	Au,Ag	High Grade Vein Target
Gold Note	100%	Pershing	Au, Ag	High Grade Vein Target
Kings River	100%	Humboldt	Au,Ag	Conceptual Target
North Monitor	100%	Nye	Au,Ag	High Grade Vein/Bulk Target
Lantern	100%	Pershing	Au,Ag	Historic Resource
Liberty Springs	100%	Nye	Au,Ag	High Grade Vein Target
Mt Tobin	100%	Pershing	Au,Ag	Conceptual Target
Mustang Canyon	100%	Esmeralda	Au,Ag	High Grade Vein Target
Nevada Rand	100%	Mineral	Au, Ag	High Grade Vein Target
Ramona	100%	Mineral	Au,Ag	Adjacent to Borealis
Silver Dyke	100%	Mieral	Au, Ag	Adjacent to Camp Douglas
St Elmo	100%	Elko	Au,Ag	High Grade VeinTarget
Trinity	100%	Churchill	Au,Ag	High Grade Vein Target
Westgate	100%	Churchill	Au,Ag	High Grade Vein/Bulk Target
Olinghouse NE	100%	Washoe	Au,Ag	Adjacent to Olinghouse
White Hill	100%	Mineral	Cu, Au, Ag	Copper Gold Porphyry
Yankee	100%	Lander	Au, Ag	Carlin-type gold system

Project Name	Interest	County	Metals	Comments
<b>OTHER US PROPERTIES</b>				
Golden Ridge	100%	California	Au,Ag	High Grade District
El Campo	100%	California	Rare Earths	Adjacent to Mt. Pass Mine
Argus	100%	California	Au,Ag	Historic Resource
Questa Blanca	100%	New Mexico	Au,Ag	High Grade Vein target

Over the past nine months, Ely Gold Royalties has significantly grown its royalty and property portfolios. It now owns royalties from two small gold mines that will produce ounces and income in 2019. The company is quickly transitioning into junior royalty space but remains significantly undervalued to its peers. At some point, I expect to see a re-rating from a project generator to an emerging royalty company.

Since early February, ELY's positive share performance has been encouraging despite a weak gold price. I am pleased with my stock position in the company and look forward to additional upside.

There are several reasons to be bullish on the gold price in the short term. Recent stock market jitters and world geopolitical events have led to a renewal of safe haven gold buying. Other factors include the usual

seasonal demand, a dispute over Fed interest rate raises, and potential for another short squeeze in the derivative markets. Therefore, I opine that catalysts are in place for a higher gold price.

My target for Ely Gold Royalties remains the same: a double in its share price in 12 months or less.

Note that the company pays a fee to sponsor this website so I am biased to the upside. Please do your own due diligence before speculating in this or any junior resource stock.

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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