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Boo to ’22

A Monday Morning Musing from Mickey the Mercenary Geologist

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I do not suffer fools. I call a spade a spade. I refuse to massage the message. So here it is:

Financial markets of all ilk sucked in 2022. The drivers were numerous: record money supply, record deficits, record public and personal debt, record spending, low employment participation, and rapidly increasing interest rates. All of the above combined to produce the highest recorded inflation in 42 years.

No matter where we reside or maintain citizenship, individual rights and freedoms were again eroded by the power-hungry cabal of socialist-fascist global elitists determined to force free-thinking Americans into an Orwellian version of a “new-world order”, now relabeled as “the global reset”.

The “Twitter Files” are an unfolding story of an unholy marriage between government propagandists and social media giants. Props go to Elon Musk for having the financial resources and the stones to snub the deep state swamp.

Here is a positive note: Worldwide hysteria over the China virus has gradually subsided over the past year. Well, with exception of its originator, the CCP, which continues to implement draconian lockdowns to stop the spread of germs from human to human. Their experiments in social control have devastated the Sino economy.

And another: It is now possible to travel from hither to yon across international borders unfettered. That said, airlines and airports remain in disarray and occasionally revert back to chaos, witness Southwest Airlines over the holidays. As the late Mr. Dines aptly predicted during the initial stages of this pseudo-plague, “The Age of Travel is over.”

I add another one exception caveat: America’s southern border remains wide open to every illegal alien from every 3rd World country spanning the globe. The invasion will not be televised.

The Panda Pandemic Panic is just one of several factors that wreaked havoc on the junior resource sector. Others include whipsawing commodities prices, a plethora of “zombie miners”, and gross malfeasance by managers of penny-crapper junior companies who continue to inflate share counts and spend shareholders’ monies on lavish general and administrative expenses.

North American investment conferences came back for the first time since early 2020. I declined most invitations and spoke at only three events. On the flip side of junior company analysis, I have not conducted a project field exam since a Peruvian Andes evaluation in Q3 2019.

All told, I find little to like about the collective euphemistically called junior "miners".

I first entered the junior resource sector in 1992 with an impressive resume as an experienced field geologist and lifelong stock market investor. Soon after the 1997 BRE-X scam, I learned that these nanocap companies are never investments; they are pure speculations.

The sector taken in its entirety has always been a negative sum game. But the savvy individual speculator who does proper due diligence can game the market, skew the odds in his favor, and make mucho moolah.

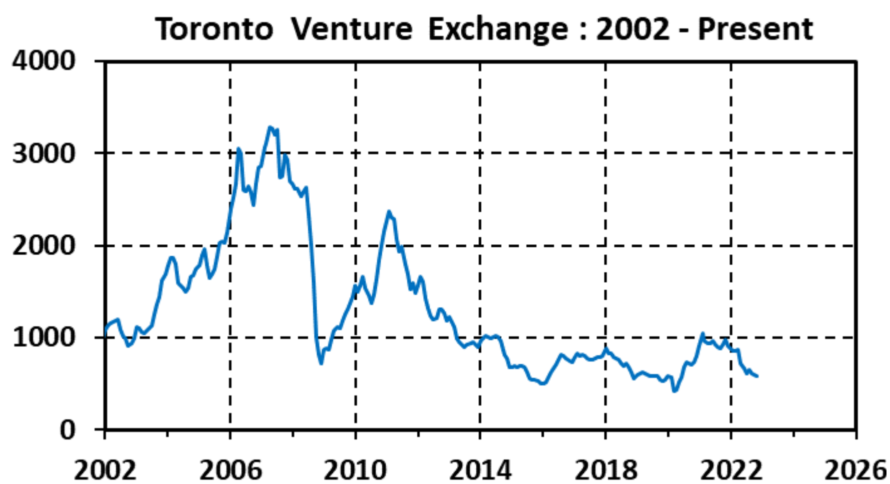
That said, during a recent review on my 30-year history of junior speculations, I derived a new Rule of Thumb.

For any given 10-year period, my due diligence indicates:

- Two to three years generate windfall profits.
- Four or five years result in break evens.
- Two to three years incur major losses.

I remind you that there are no actual gains or losses until a stock trade is booked.

Back to the recent past: In 2022, the TSXV Index lost over 40%. The Exchange's 21-year history illustrates its overwhelmingly negative performance:



My trading history shows that every bull market adds a zero to my net junior market assets and every bear market halves those gains. So overall I have come out five times to the upside at the end of every bull-bear cycle, a nice track record indeed.

But here is the rub: These cycles are on average a decade-long. And frankly, I do not have the desire to play this game on a full-time basis for another ten years.
The last big bull market run for juniors was from 2009 to early 2011. There were brief bull market rallies that coincided with surging gold prices in 2016 and 2020. While others were buying willy-nilly into these

runups, I was selling and have kept my record of windfall profit years on track during the latest bear market, now going into its 12th year.

And I see no end. General interest in the sector has gone to less than zero due to historic non-performance. The current malaise is reflected by record low volumes, negligible liquidity, and declining prices.

A major uptick in the gold price seems the only catalyst likely to attract another incursion into the sector by the generalist "investor". Assuming past is prologue, volumes will surge and the increased liquidity will bolster overbought valuations. The "dumb money" will mostly buy high, sell low, and get burned again. Any move will be temporal as per 2016 and 2020. Rinse, wash, and repeat, folks.

The bottom line is a fundamental problem underpinning most juniors: The long bear market has resulted in massively bloated share counts with concomittantly falling share prices amid static or declining market capitalizations. Legacy shareholders who financed the juniors in the early days have been abandoned as companies roll back, reincarnate, or soldier on with hundreds of millions of shares outstanding. Meanwhile, managements continue to "mine the stock market" with salaries, travel expenses, promotional budgets, conference boondoggles, and low-priced options. In addition, they have found a new way to waste shareholder dollars, the "annual ESG report".

After the financing feeding frenzy in Q2 and Q3 of 2020, I determined to play a longer game with larger and more advanced microcap explorers and developers. My buys at 52-week lows in December 2021 became a mixed bag when the major markets went south. Still I managed to exit at level stakes or with small profits on all but two buys. They are NYSE-listed gold and base metal developers and remain severely underwater.

Due to ever-increasing bureaucratic rules and months-long clearance processes for US-based residents, I no longer participate in publicly-listed junior company financings. Even the exercise of in-the-money warrants is extremely risky. Once funds are committed, it takes two to six months to clear for trading.

My strong relationship with long-term sponsor, **Trilogy Metals Inc (TMQ.AM; TMQ.T)**, was blown up in late February. The Biden Administration effectively killed the previously approved environmental impact statement for a 210-mile road to its world-class Ambler mineral district in northwest Alaska. I ceased coverage in late March when the situation became crystal clear. Meanwhile, the stock has dropped nearly 80% from its mid-2020 high.

Another repeat sponsor, **Allegiant Gold Limited (AUXXF.OTCQX; AUAU.V)**, announced a strategic investment with Kinross Gold, posted strong drill results, and made a blind, pediment-covered discovery at its flagship Eastside, Nevada project in 2022. But good news for juniors has become a liquidity event and selling opportunity for speculators. This stock ended the year 66% off its mid-April high. The CEO and I mutually agreed to suspend coverage until markets improve.

My semi-retirement as a writer, speaker, and analyst began in April 2021. Although yearly website content has been cut by half, we still posted 91 times in 2022 including ten videos, 70 interviews, eight musings, and three presentations. Despite bear markets and turmoil at twitter, we are proud to have over 7700 subscribers and 47,600 followers.

My contracted staff remained in-situ this year. All are commended for their dedication: Kirsty Hogg manages the social media platform; Drake Moore handles website postings; and Luke Smith compiles and manipulates the database.

In January, I chose to end the monthly market review with the Financial Survival Network. Sincere thanks to Kerry Lutz for his interviewing skills and dedication to the podcast over a 10-year run. In April, we changed hosts on the Kitco-sponsored Metals, Money, and Markets Weekly. Chris Temple is a fellow newsletter writer and talking head for the National Investor. My appreciation goes to Trevor Hall of Mining Stock Daily for his three years of service. Another Kitco exclusive, the commodities-focused Mercenary Musings Radio with host Rob Graham, has been in production since 2010; we recently posted our 229th show.

We have produced 2090 pieces of original content for visitors to **MercenaryGeologist.com** since April 2008 and all remains available on the website. My long-term goal of writing half a million words in **Mercenary Musings** is slowly creeping within sight.

Our commodities and financial excel database expanded by 10% again this year as we track more metrics and add more data. It comprises 100 separate sheets with 493,000 data entries, 838,000 derivatives, 745 charts, and 44 tables. For those interested, we are pleased to entertain offers for exclusive access to our proprietary work; send inquiries to **contact@mercenarygeologist.com**.

I will continue to produce content for **MercenaryGeologist.com** in 2023. Rest assured that I always seek to educate and inform you with market views, trading strategies, commodity trends, and libertarian-focused think-pieces. If the resource market outlook turns positive, I may resume coverage of select companies and present timely stock picks.

On a personal note, I split the year between central New Mexico, the Missouri Ozarks, and since the border ban was lifted by Turdo and His Fascist Friends, Vancouver, B.C. It is a good life indeed.

Unfortunately, my wish for the United States of America to become a freer and happier place has not come to pass. In fact, the D.C. elitists increasingly parrot feudal lords treating the hoi polloi as their serfs.

Why can't these people learn to *live and let live*?

In the meantime, I stand by my version of the libertarian non-aggression policy:

Do not tread on me and I will not tread on you.

Ciao for now,

Mickey Fulp
Mercenary Geologist

Acknowledgements: Fellow speculator Jeff Phillips peaked my interest in analyzing junior resource performances over running 10-year periods. Analyst Marin Katusa provided the idea for net asset returns spanning bull-bear market cycles. Luke Smith served up the numbers from our database.

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.

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