Alchemy Financial

Turning Paper into Gold

May 10, 2023

Plan B Part 2: The Juniors and Some Logical, Conservative, Portfolio Management

By Jonathan Mergott

I want to get into the list here, as I think there are a lot worth covering, but want to make a few notes about them too. These are VERY risky investments. If you've spent some time in the gold sector already, then +7% up and down days is just Tuesday to you, whereas fund investors would be having a stroke. But if producers aren't bad enough for you, Jr gold and silver stocks have a tendency to lose 90% of their value, a lot more often than they are profitable. The problem with a 90% loss in a company with no income is,

Highlights In This Issue:

Know the risks in Jr miners beforehand.

A basic precious metals portfolio blueprint: Physical.

A basic precious metals portfolio blueprint: Royalty.

The Juniors list

Where we stand now

they have to constantly dilute to keep funding the development of their asset, making it impossible even in a “moonshot” scenario that you will ever get back to even, let alone profitable. And as I’ve spoken about before, even if you theoretically COULD, **how much time did you waste riding a stock down 60-70% and back again? Because that boring S&P-500 index fund that has averaged 10% a year every year for the last half a century would have a 61% gain in 5 years.** These are speculative and should be treated so. Going “all-in” jr gold and silver stocks is insanity. Having a retirement fund in index funds and a separate account for gold and silver investments that is all-in jr gold and silver stocks is unwise. Having a retirement fund in index funds for a sizeable amount of your retirement wealth, then a separate account for gold investments with a large chunk in physical gold, smaller amounts in physical silver and royalty companies along with some producers, (when the timing warrants being in producers) and a PORTION of that portfolio in Jrs is ok. The percentage amounts on each can vary individually based on risk tolerance.

Even then, let’s talk about position sizes. Putting large percentages of your portfolio in companies with $100m MCs is not ideal for MOST people. Ignore the hype of the pump crowd and stop calculating what the 10-bagger would mean for you long before the egg is even laid, let alone hatched. Let’s state the facts: **These are companies with no income whatsoever**. They often have no assets or very little in assets, only the hope of finding and developing an asset. And they accomplish this by selling more and more pieces of the company, devaluing your pieces. Yes, they may have gold in their backyard. I might too. That doesn’t give them an “asset” necessarily. The simple fact of the matter is, you can have good drill results. You can have gold and silver you know is there. But if you don’t have a sizeable amount of gold or silver, that can be developed for production for a reasonable cost, and be operated and mined for a profit, you got nothing. The value of 1000 ozs of gold in the ground that will cost $2 million in capital for infrastructure to build a mine on, and can be produced for $2,000/oz when gold is $2,000/oz, is **ZERO.**

So, treat them accordingly. You are speculating that they will develop something big and therefore have tremendous gains, or develop something moderate and be purchased by a major for a sizeable profit. But understand going into it that many will fail. And that's not the type of investments you want 80% of your money in.

Everybody's income is varied, as well portfolio size, goals, risk tolerance etc. But for arguments sake, lets build a moderate starting "blueprint" for gold investments. Let's say, you have $100,000 to put into gold and gold investments. This may make up1/3 of your total investments, maybe a bit more or less. You need to figure this out individually, but while doing so, **realize that the "boring" Market Index Fund investments that avg 10% a year will compound $100,000 to over $1.6 million over a 30-year time frame without ever adding a dollar to the $100,000 you start with.** We all probably know a complete idiot out there in the world, with no knowledge of finance or economics whatsoever, who simply put 10% of a decent income aside into similar funds, at the advice of a 23-year-old financial advisor, who is now a millionaire because of it. Now ask yourself, do you think you can do better than that? If so, how much of your overall investment money are you willing to "play around and find out" with?

But for round number purposes, we will use $100,000 (adjust accordingly). Of that, 20-25% I feel should be comfortably seated in an "insurance policy." A wealth protection asset that is a hedge against inflation. **And that asset is, and ONLY is, Gold. It is NOT silver.** I love silver, don't get me wrong, but it is a different beast altogether. One look at a gold vs silver chart should clearly show that. Platinum and Palladium are precious metals and industrial metals. They have never had a monetary purpose. Gold is a precious metal and a monetary metal. It has a few industrial purposes, but is mostly too expensive to have any meaningfully large industrial purposes. Silver has an identity crisis. It's a precious metal, a FORMER monetary metal, and an industrial metal. At any given time, it is caught between following gold higher or following base metals and industrial commodities lower. They are simply not equal or we would be pushing to new all-time highs in silver right now as well, but we are not. We aren't because SILVER is NOT the asset people rush to in uncertain times when the fear is recession and banking crisis.

I'm sure many people would like to fight me based on what I just said**, but look at the behavior and performance of those 2 assets and try and tell me they are the same. They simply aren't.** So do not look to the gold/silver ratio and think, "Rather than have 100 ozs of gold, it's better to have 10k silver ozs I can trade back to gold when the ratio falls from 100 to 70, and get back my 100 ozs of gold, while keeping about 3,000 ozs of silver for free!" It is not apples to apples. **Investments in silver should be looked at as a SPECULATION that the market will one day "rerate" silver as a monetary metal again,** in which it's behavior will then change and will have a significant amount to gain playing catch up. But it is not where the BULK of your physical insurance policy, wealth protection money should be. **If you want to take 10% or so of gold holdings and speculate on a lower gold/silver ratio** in the future, that is fine but again, **realize it is a speculation and not equal.**

Now that we have established a base of physical holdings in an insurance policy/wealth protection asset you can hold in your hand and isn't "theoretical computer money", how much should you hold in that speculation of silver returning to a monetary metal status? Again, this is subjective, but I feel 50% of your physical gold holding size is a good baseline for a precious metal portfolio blueprint. So about 10-12.5%. You now have about $20-25k in physical gold and about $10-12.5k in physical silver and this physical portion makes up 30-37.5% of your portfolio holdings. That's a solid place to be, in my opinion.

You have roughly 62% of your money left and its time to find the gold investments that have been solid performers. Undeniably, those have been the royalty companies. **FNV, RGLD and WPM are the only gold stocks near all-time highs, and all three of them are there.** For fun, I added all 3 together in TradingView on a percentage basis, going back to 2008. **In that 15 yrs, a buy and hold equally weighted in these 3 companies is at all time highs RIGHT NOW up almost 550%.** They have consistently performed, year after year in a way producers have not. There are a few good producers out there. I hold NEM, and despite recent poor performance, it was one of the only MINERS to hit new all-time highs on this gold run. There are a few other decent miners you may want to add a little in with, **and some growing royalty companies like SAND** you can add in if you desire, but those 3 have been winning, long-term investments and the only PM stocks you can say that about. A 5-7% equal position, with smaller sizes in a few more you may like is ~25-30% and that's a solid place for this category.

Now for the moment we've all been waiting for! We have 25% in physical Gold, 12.5% in physical Silver, 30% in mostly the three strong royalty companies with a couple extras we may like sprinkled in. That's 67.5%, which gives us 32.5%, roughly 1/3 to play around with in Jrs, right?

Not so fast. Not before you remember the most important position: Cash.

Again, subjective. I will fluctuate on my cash levels all the time, but 10% is a solid place to be for most people and whenever I fall below that, I am looking to shave some profits where I have them to get back to it soon, knowing the inevitable, that corrections ALWAYS come eventually. You may want more if you're expecting a correction soon or are just risk adverse. But subtracting that, you are left about 20%, or $20,000 to put into some very risky Jr miners. Before we get into them, I want to mention this. The return on that 67.5% alone for that portfolio over the last 15 years (since 2008), is a **307% gain**. So, let's **assume every junior you buy** with that remaining $20,000(and the $10,000/10% cash position) **goes bankrupt. That's still a 175% OVERALL return on the full $100,000 portfolio, despite losing every penny of 1/3 of it.** That's 7% a year. So, congratulations, you shot for the stars, failed miserably and still walked away with an equal return to a conservative, well balanced, index fund. **90% of the time, we are our own worst enemies, so that is what we want to try and avoid and this approach accomplishes that. It minimizes the risk of ourselves.**

I understand the YOLO mentality. It's hard to get ahead these days. People want to find where they can make a killing and THEN go for a balanced, more conservative approach. Make 10-baggers in Jrs, and then diversify into Royalty and Physical metals. I understand, but the fact of the matter is, as can be seen by the "idiots" around us in index funds doing rather well for themselves, no, a balanced approach will not get you a private jet and a 40-room mansion. But you could have a decent future with it.

Let's assume you do nail it big on the risky approach. What have you learned? That taking large risks and betting the farm on a long shot works. **"Genius is a bull market"**, as the saying goes. Nothing like a rising tide lifting all boats, being in the right place at the right time to garner a false sense of security, a false sense of intelligence and ability. It gives you the excuse to do it again, and the odds you strike gold (no pun intended) again are virtually non-existent. Mismanage risk on $100,000 portfolio and get a massive 1,000% gain, great. Do it again and **tell me how it feels when you screw up and lose ¾ of a million,** money you were blessed to have to begin with and are unlikely to ever get back? Those who never learn to be disciplined rarely pick it up "out of the blue" somewhere down the line. **Those who start out with that approach carry it forward throughout their investing careers.**

For every 1% YOLO winner, 99% fail**.** A disciplined, balanced and conservative approach has a very high probability of being moderately successful. So, you tell me, **do you want the 1% shot on having it all with a near guarantee of it being financial destitution, or the very high probability chance of having a solid financial situation and a decent life and future for yourself and your family?** To each their own but I'll take the lower return with the higher probability of success every time. **Don't shoot for the windfall, shoot for smaller, consistent, high probability successes, compounded.**

Now regarding position sizes. Not all Jrs are created equal. A company like Abbra, with years now of solid drill reports behind them proving a very solid resource, with a $165m MC is not the same as a company like Equity Metals, with a $17m MC. It's ok to put 3% into an Abbra. It's riskier with Equity. The goal is to spread out, so on 20% of 100k, 1-2% is fine. **If one, 1% position ends up like Snowline gold, going up 10-fold in 2 years, and 19 other 1% positions lose 50% in that same time, the whole of your 20 Jr's is still basically breakeven, down only 2.5% in those 2 years.**

Invest too heavily in a few of the wrong ones though and you could diminish that significantly. **Defiance, Bear Creek and Aftermath have lost as an equal weighted avg between the 3, about 80% in 2 years.** That same 1% in a Snowline that has a 1,000% return, with 10 other 1% positions losing 50%, is diminished to a 16% overall loss on your Jrs if you decided to put 3% positions in those 3 stocks. Position sizes don't need to be perfectly equal, increase them based on your conviction, but be careful of the "hype." The point I am making here, is that with Jrs, **you need to go in EXPECTING many to be failures.** With that mentality, a large group more evenly weighted is better than targeting a select few. **You want a shotgun here, not a sniper rifle.**

Another very important point here. Many have said, "You don't get 10 baggers taking profits along the way. Have conviction." While that's true, I've seen a lot of people "have conviction" and fail miserably. Sometimes, there is something there you just don't know till it's too late. Sometimes, you are plain old wrong. In Jr mining analysis, you need to know the geology of the region, you need to know about mining in different types of geographic areas. You need to know local politics, tax laws, environmental regulations. You need to analyze the resumes of everyone on management, directors, geologists, technical advisors, their past successes and failures and then realize that a rock start team is still no indication of success. Then, once you've done all that, realize that in gold mining, anything that can go wrong, will. **It's a daunting task, and a major reason why I have focused my career on timing the sector as a whole and not trying to pick the individual winners that can thrive, regardless of the overall environment in the sector.**

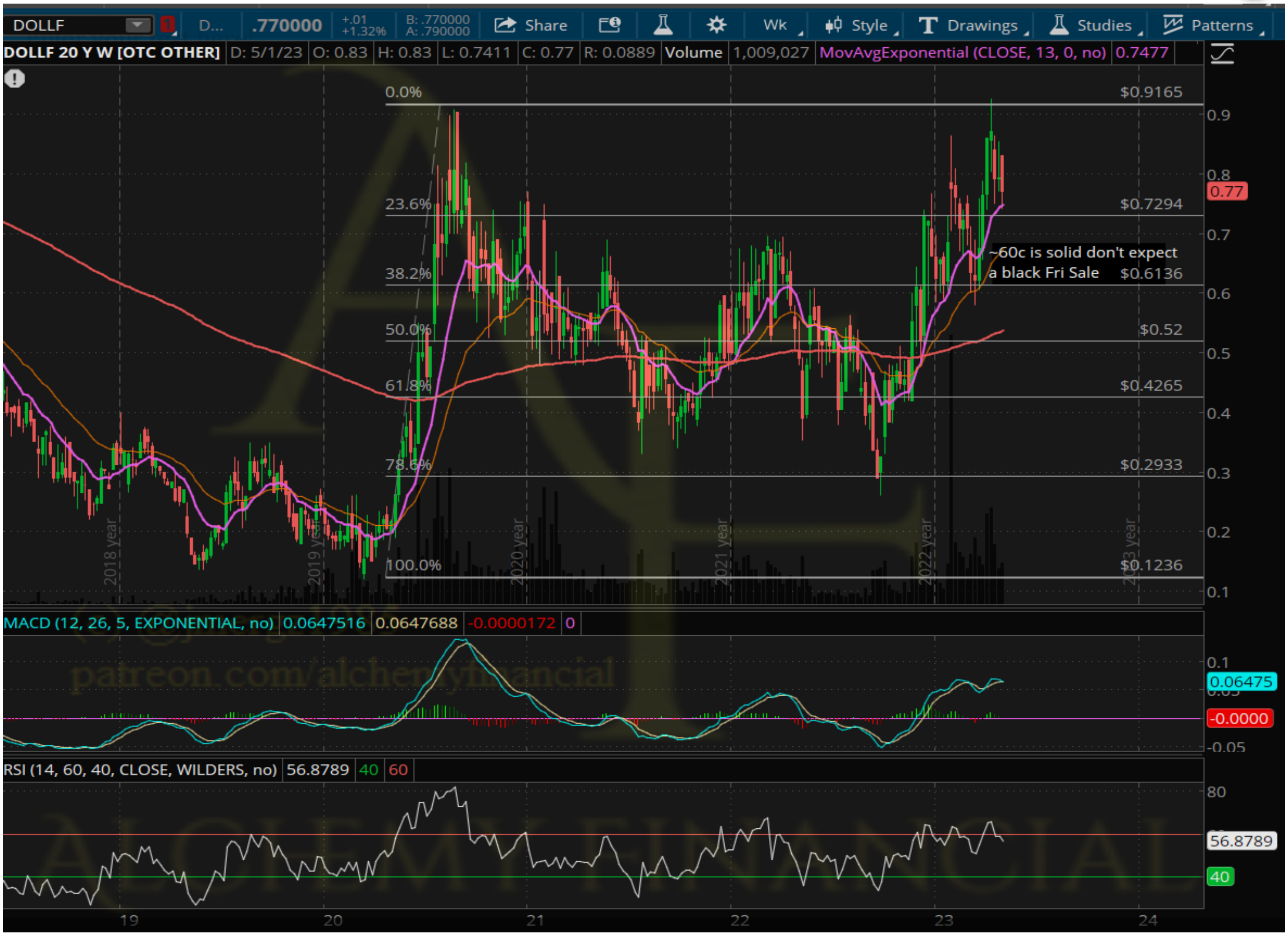
It can be very profitable though, IF risk is managed right. That partly comes in with size of overall Jr portfolio in comparison to other PM assets and investment assets as a whole, it partly is position sizes in individual companies and taking a broad, less targeted approach on many versus a few, and it is partly managed by taking partial profits, or your investment capital costs, out as soon as you have the opportunity to. Again, personal preference here on selling 30%, 20%, 50%, but realize that **anytime you have a 100% gain, you can pull out your initial investment by selling 50% and keep the other 50% for free. From there, if a stock goes bankrupt, it is zero risk to you.** Whatever you sell it at, be it 1c or $10, it is all profit for you. But most importantly, that initial capital cost you now have back in your pocket, because let's be honest, there is always another shiny new one we want to invest in.

Or we simply want the opportunity to add more of the same stock later, knowing that corrections always come. Santa Cruz Silver, SZMSF, has gone nowhere in 2 years. **But over the course of that 0% return, it has gone from 20c to 40c a total of five times.** On a $100k portfolio, with about 20% dedicated to Jrs and a small 1% position for $1000, **simply selling half at 40c and redeploying your initial $1,000 capital at 20c over the last 2 years has built you now $3,750 position here at 30c, with a $0 cost.** On top of that, you still have your $1000 in cash for another 1% position in something new you like. Yes, realistically, no one has perfectly nailed that, but a couple of decent opportunities in a few jrs that are similar to that scenario, and you're holding your capital, ready to deploy when new opportunities present, reducing your risk in your positions while increasing the overall amount of those positions as well as their sizes. You are unlikely to get a 10-bagger doing this, unless the overall stock return from low to high is a 50-bagger, but as the saying goes "No one ever went broke taking a profit."

If you want to win the game, you need to make sure you stay in it first and foremost.

Now let's look at some charts.

I mentioned SZSMF, so let's start there. **RSI on weekly hasn't fallen below 40 since the Covid crash,** so despite weak PM, Santa Cruz has held well. It hasn't fallen below 20c for any length of time or by any meaningful amount in 2 years either so an opportunity to pick it up near there is a gift. Recent low at 20c, high at 40c and here we sit smack in the middle at 30c. High is at 50c and if I zoomed out, we could see the 2016 high at the same level, so that is the real breakout ceiling. As one of the Jrs that didn't collapse with falling PMs, its likely to see new highs before many retrace a fraction of their losses. From 25c, a move back to 50c that gets halted, still gives that opportunity to sell half and take out your costs. **A note, SZMSF has significant Zinc production making up their AGeq,** which is solid, but as PM investors, we aren't expecting Zinc to move higher for the same reasons we look for with gold and silver.



While were on Jr's that "didn't collapse with PMs," DOLLF has been another great one. Ceiling at 90c that it tested just recently. Support here at 70c on this pullback isn't a bad place to add, but doesn't satisfy the feeling of getting it "cheap" that you'd get at ~60c. **But don't expect to get the outperformers cheap, there is a reason they have outperformed.** Quick facts, 47m ozs indicated, 90m inferred, Sprott owns 10%, Hecla owns 10%, $200m MC with $20m cash. This is established, so you aren't going to get a 10-bagger (unless silver breaks above $50, then maybe you could justify a $2b MC on a deposit), but you also are far less likely to get a 90% loss. 60c would be a terrific add that will certainly see a double or more if silver is able to push above $30/oz.

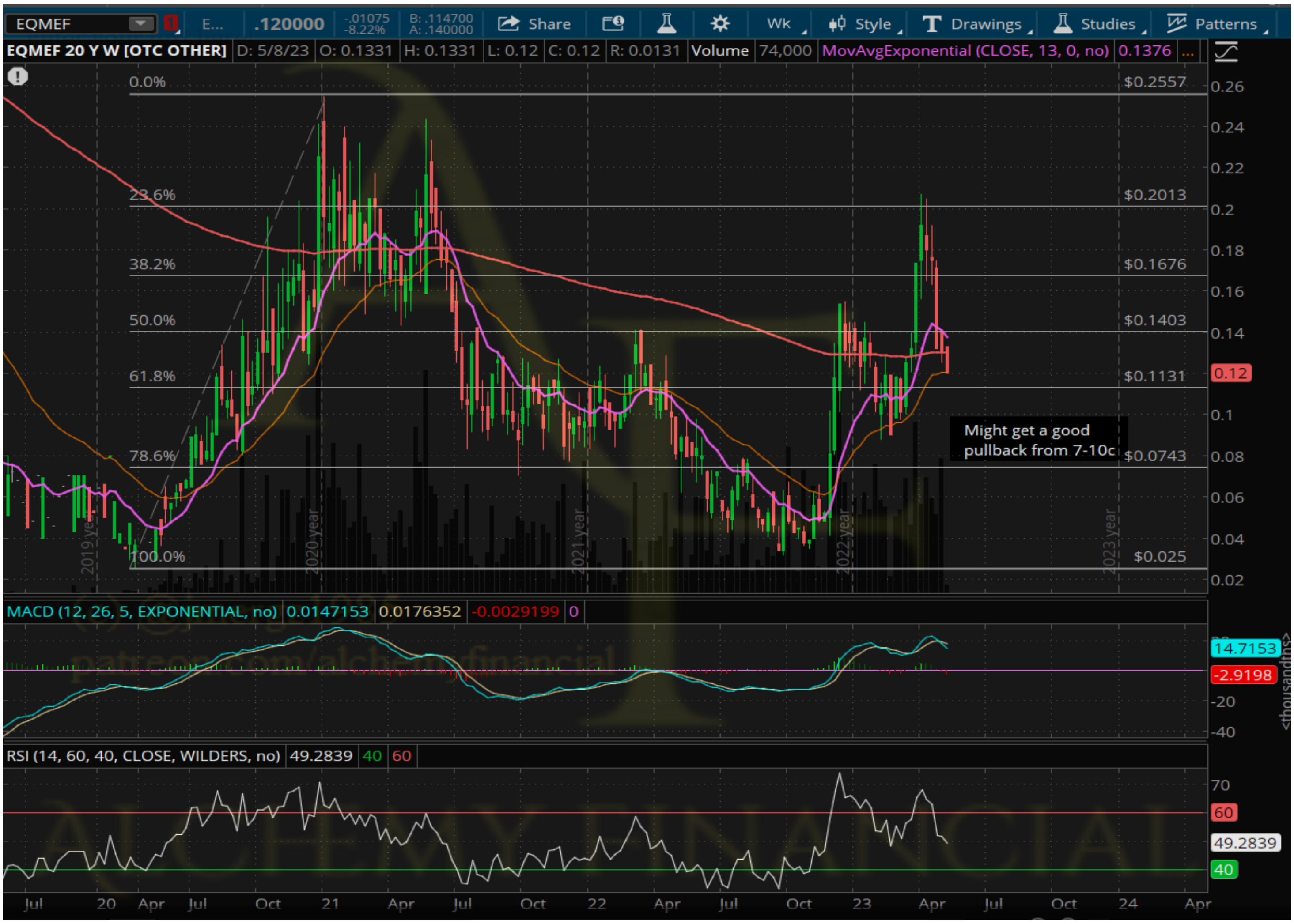
Everyone's fav, ABBRF hasn't done much, price wise. Hasn't collapsed or broken higher but while the stock sits, and PMs have struggled they have continued to release stellar drill reports and increase their ozs for years now. One time may be a fluke. Two times a POSSIBLE trend. You hit big paydirt, time and time and time again, you got something big, and again, Sprott agrees and owns 12%. From 20c to 35c just recently and smack in the middle. RSI has also mostly held 40 for 3 yrs, with 1 quick dive below (and congrats to the guy who bought at 16c). **I'd love another crack at 20c here, but 25c is a fair price that doesn't require new all-time highs to get a double on.** So even on a good move that isn't "the moon" the opportunity to take profits and book some free, zero risk stock is probable.

Southern Silver SSVFF, is another that if you blinked, you just missed a 100% move higher. 4 weeks from 11c to 23c, now back to 16c. Another that's right back in the middle now. A big push higher in metals and 30c wouldn't be much of a sweat for this one. Ideally, that's what sounding the alarms for me. Where can I take positions, I want to hold long term, that have near +100% short term potential so I can take out costs and hold some riskless stock? Near 15c is nice here but we could get greedy. **With a pullback in metals likely, I think we can nail the recent lows near 11-12c**. Splitting hairs? Perhaps, but with small MC, thinly traded OTC stocks, with limit orders placed on a day of a big move down in PMs, that extra 3c is the difference of needing an extra 25% move higher to get that same double. We haven't seen 30c in a year, but I think SSVFF could nail 24c again effortlessly.

Aftermath, AAGFF has been a wild ride from $1.40 to 10c. That's a 93% loss. (Jrs are not child's play). But here we sit at 20c with some higher lows and RSI holding at 40, which is an encouraging sign. Another that Sprott holds, 14% on this one. Peru has not been well liked, but the hate seems to be settling down. **140m oz AG total measured, indicated, and inferred (in Peru) and a $36m MC**, Aftermath is looking cheap. This is probably not one to bet the farm on, but another example where a double isn't a stretch. There is resistance near 35c, where it was about 1 year ago, so being able to pick this one up under 20c gives a good probability of a move back to that area on higher gold and silver prices. This is one I'd like to have a piece of, even if it's a small piece**. Under 20c will do, 17c would be perfect.**

Guanajuato Silver, GSVRF has been another solid Jr that hasn't gotten destroyed with PM weakness. They are also one of the few producers on the list. They produced almost 1m ozs AGeq Q1 2023 and of that, about **50% is pure silver and about 40% gold. AISC for 2022 was 21.55/oz,** giving them significant leverage. 1.6m ozs is expected in 2023 on this $133m MC company. Another Sprott holding, but only 2.1% for him. Endeavour Silver EXK, owns 8%, and directors own 4%. Since March we saw a double, from 25c to nearly 50c. It's unlikely we will get a stab at 25c again, but 33-35c is likely. No, we don't get a 2x on this one unless it goes to new highs, but another example that's unlikely to see a 90% loss either. Since Aug, RSI has held 40 and rocketed to 70 in April. An organized pullback in metals could get a fair price here at 33-35c. A destruction in PMs and we may get lucky enough to see 30c or below.

Another double in 1 month for Minaurium gold, MMRGF, from 10c-20c, currently at 16c. That gives them a $62m MC. Another Sprott holding and another where management owns 5% of their own company, which is always a good vote of confidence you like to see. (Another 60% of the company is owned by “high net worth”, with another 15% in funds, leaving 20% to retail.) Minaurium realizes that **Ag eq ozs is NOT AG** and they make a point of saying that. Early stages here, so do your research, but RSI has held mostly near 40 (few dips slightly below) for over a year and got stopped on this rally at RSI 60. I don’t think 30-35c is off the table here but 25c could be an easy target if we are able to scoop this up a little cheaper than it is now. 15c is good, but I’d love 12c, or just above recent lows near 10c.



Equity Metals EQMEF has done VERY well recently. After a nearly 90% loss from 25c to about 2.5c, their Dec resource update showed this little 15m MC company has 62m/oz AGeq indicated. Of that 1/3 is silver, 1/3 is gold and 1/3 is zinc, lead and copper, with another 22.5m oz AGeq inferred, and of that, half is pure silver. **That shot the stock up nearly 10-fold very quickly** and has since backed off, from 20c to 12c. There may be some "hype" here that needs to calm down a bit, but with recent lows near 8-10c, its hard to say this company isn't worth biting on with a 10-12m MC, given these numbers. I'd like to see RSI hold at 40 on a pullback, and am also inclined to give it a little bit of time to settle down, but **I like that area between 7-10c. at 7c, a move back to near 20 and you almost have a triple already**.

Silver Viper VIPRF is another early stage doing drilling and exploration, so by nature, very speculative, but some good results. And management is putting their money where their mouth is here, owning 23% of this 20m MC company. Institutions, including Sprott and Donald Smith own 57%. As for price, it got slaughtered. From highs of 70c to lows 2 years later of 7c, another 90% loss, but **a 100% gain on this last pop if you nailed the exact low. We also have some Positive Divergence in RSI here.** The nature of these explorers is usually the stock moves most when they hit good results, vs big moves in PMs, but rising tides do lift all boats and make them look more hopeful. 20c is certainly within reach in my opinion, so I'd love to get just a bit cheaper here to near 10c.

Strikepoint, STXKF, another small, early speculative one with an 80% loss in 2 years, from 25c to 4c. Sprott owns 14% with Management owning 5% of this 10m MC company. At 4c now, it seems to be holding its lows so far, **but I would like to see a test of 40 RSI that holds as it pulls back.** Fib retracement from the high to the lows is also where the last 2 highs were at about 8c and is also now where the 200-week EMA is coming in. I think on a good move in gold, there is a very good chance we see that 8c again, making this a 20m MC company, which still isn't saying much, so not a big reach. MACD is trying to get above the 0 line here which is a good sign indicating it WANTS to move higher. Do your research on these small ones and see if there is something you like, and remember those 80-90% losses in 2 yrs when thinking about your position sizes.

Impact Silver ISVLF intrigues me greatly with this chart. 46m MC with 16m in cash and some very high costs on their 686k oz production. What I also like here is the 90% revenue from silver directly. After a long decline of 80% to around 20c form $1, it is holding and consolidating. **It did the exact same thing in 2016, from $1 to 20c, then a long consolidation before making a 5-fold move back up to $1 again in 2020.** We also saw pos divergence in RSI as it dropped into that consolidation, both now and in 2018. Then, a test of 60 RSI than back to a test of 40 RSI that held, and again now a test of 40 RSI and getting pushed back at 60 RSI as it continues consolidating. This is definitely a contender for a quick 100% move up from this area at 20c to 40c in my opinion, and it did it multiple times before as well.

If I zoom out enough on Bear Creek, BCEKF, you can see the **2011 high at $12.** If you held to the recent low near 25c, **that's a 98% loss.** Bear Creek is the largest silver project out there, with 230m ozs of proven and probable silver in Peru. Here is the problem. 1, its Peru, and 2 Capex is $580m on a $73m MC company. And that's why the hopes 10 years ago that Bear Creek had something big that drove it to $12, have come crashing down to a 98% loss a decade later. And this is the reality of most Jrs. The euphoria of killer drill reports eventually meets the economics of a feasible mine. At $50 silver, it has killer potential though. It did a 3x since Oct, from 25c to 75c so ability to build a free speculative position here is interesting. Lows near 35c from 2015 and recently look like they can be hit again and a rise to 75c again or possibly $1 are feasible, so that would be the probable targets if you decide its worth a position.

Eloro Resources, ELRRF, is a silver and tin project in Bolivia. In 2020 it began an unbelievable, 10-bagger move up to 4.50 that has pared off a bit to $2.50 after the excitement died down. But if you take a look at some of their drill results over the last couple of years, you can see what had people excited. For a year now ELRRF has been trading with RSI bouncing between 40-60 and has now just recently tested the 200-week EMA around 2.25. We're sitting just off of that major support area in the low 2s which gives it a 200m MC at this price. Worth noting, **24% is owned by management and the board**, and that's always good to see. My problem with this is **I think there is a serious risk it breaks support and drops to ~1.50.** Given the size of the MC, I'm willing to wait till it either a) has a sizeable drop, or b) begins to break above resistance at 3. On a run of the metals, 3.50 upside is conservative and logical.

Lion one LOMLF is planning initial production of gold in Fiji Q3-Q4 this year and got some serious hype with their drill results. **A 10 bagger in 1.5 yrs from 2019 to mid-2020**, from 20c to $2. Currently sitting at 66c with a recent low near 40c and recent high near 80c. That gives it a 117m MC here. We also haven't seen much beyond 60 or 40 on RSI except the Oct low, which had a double when it bounced. 60c is very good support and I think it is logical we can take a stab down there on a pullback in metals. There is major resistance in the $1 to $1.20 area, so it might not get a double on a bounce from there, but it's likely to be close. Overall, at 117m, it's pretty cheap for a near term producer.

Go Gold, GLGDF went from 25c to $3 in 2.5 years. It's backed off now with recent low in Oct at $1 and holding now at 1.44. For it's 470m MC, you got 188m measured and indicated AGeq ozs and another 93m inferred. **They are producing 1.8m ozs AG a yr at an AISC of 18/oz** which gives them some good leverage. In addition, they are continuing to explore in Mexico. Worth noting, they have over 100m in cash too, which is about 20+% of the entire market cap. RSI failed at 60 when it doubled from $1 to $2, but then bounced at 40 on a higher low at 1.25. A pullback in metals and **1.25 would be a great place to pick some up.** Maybe not a double from there, but another stab at $2 seems likely and probable here.

Defiance Silver, another 90% loser here, but begin to hold after falling from 90c to 10c. With 5m in cash on a 30m MC, they have had some good drill results and are situated in mining friendly Mexico. The best thing Defiance has going for it, (in my opinion at least), is everyone has already fled out of this company. **At 13c, there is a very good chance of retesting lows near 10c.** Taking a stab up 100% to 20c on a good run on silver isn't asking a lot either. RSI is beginning to shape up after being locked below 60. It looks at least like the freefall is over**. I'd get greedy here and wait for the lows at 10c,** but also wouldn't want to bet the farm either.

Remember all the hype with Emerita, EMOTF? The math is the math! By my math, that's an 80% loss in 1.5 yrs. **If simple math was all you needed to be successful investing, anyone and everyone would be.** Here's the math that matters: **theoretical value is immaterial if there is no one left to buy and push prices higher.** It looks like its holding here in the 50c region, and a stab back up to $1 is possible, but honestly, **I think this one should be avoided**. Do your own research of course, but I think this one had tons of hype and little to back it up.

I was eyeing Scottie Resources SCTSF at 12c and wish I jumped. Up 100% now and that's what I wanted. $53m MC in BC, 9% ownership by Sprott, 7% by PAAS and 7% by the board and management. Solid drill results over the last few years are worth taking a look at. It's shaping up and acting right, with RSI pushing above 60 after holding at 40 for all of 2022. **Problem with "shaping up and acting right" is that dirt cheap is likely off the table here, but relatively cheap still is a possibility. The last low was at the 200-week EMA near 16c and I'd think we could see that again.** Above 25c, and 30c is a logical target giving a double from that buy level.

Kootenay Silver, KOOYF, is another 8% Sprott holding with some investments from CDE, PAAS and AEM as well. 33m MC with **136m oz AG eq measured and indicated, with 35m oz inferred in Mexico.** The stock has been bouncing along a bottom at near 6c for almost a year now, all while RSI has been trending higher. The last dip in RSI saw it hold at 40. I think this is possible to get cheap on a pullback and **I'd eye picking it up near that 6c level. At the recent high at 15c, that's up 150% already**. This is definitely an example of a company with a good resource that has some very good upside potential on an even moderate run in the metals that we can take costs out of and own for free.

Metalla, MTA is an up and comer in the Royalty department. They have 5 producing assets with many more expected in the next 5 years. A $265m MC with $3m in cash. It's been struggling at the $6 level near the 200-week EMA, but despite being pushed back at 60 RSI twice, we had a much higher low that held 40 RSI in March. This looks like it can retest that area, so I'm ok with being greedy on this one. **At 4, it's a 200m MC, that if we can clear resistance around 6, I think stands a very good chance of a double to 8**, where there is some pretty stiff resistance. **This one could turn out to be a good longer-term hold if pullbacks continue to hold 40 RSI and make higher lows.**

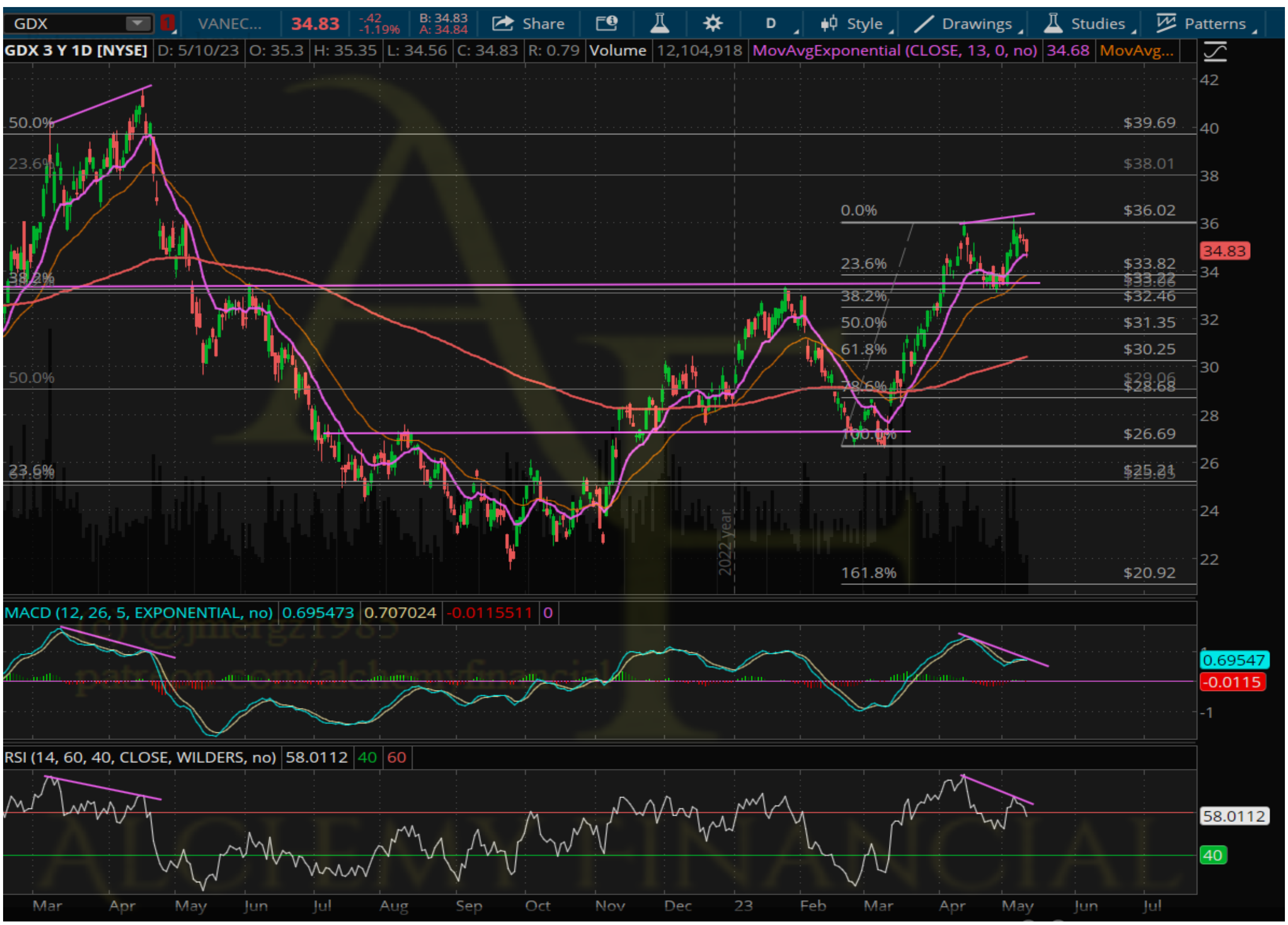
Snowline, SNWGF exploded from 25c in 2021 to $3 in 2022. That's the 10-bagger everyone wants. Great drill results drove share prices higher and it's nice to see management owns 8% along with First Majestic's Keith Neumeyer, who owns 6%. The problem is the stage its in after the big news that drove its gains. This period is likely to see some "paring off" so I'd be careful of being to excited to add on dips here just yet. $1.50 in March was a 50% correction from highs and that's not a bad discount to jump in on, especially now that its up 66% from there. I'm concerned about divergence in RSI and this last high looking like it is getting rejected at 60. **I'd be patient on this one for a good discount.** 1.50 is fair.

And there we have it. 21 juniors and some basic outlines on how to approach them and overall portfolio management. **ALWAYS do your own research,** but there are plenty of people out there covering many of these that have done a lot of that legwork themselves. There is nothing wrong with piggybacking off of their work to see if you come to a similar conclusion. Just realize that everyone has a bias, and if they are posting bullish points about a stock, their bias is long, so it helps to approach it from a skeptical view. Where can you poke holes in that argument? **Where does it hold water, what parts are wishful thinking and what is a CONSERVATIVE outlook?**

A few notes on where we stand now. There is some serious negative divergence in RSI for gold here. This last rejected pop had RSI attempting to push above 60, then turned lower right at it. From a timing standpoint, it's been 7 weeks since the first "stab" above 2,000 and about 4 weeks since hitting 2050. We stabbed back to ATHs which clearly gold wanted to do after FOMC, but it was rejected leaving a long wick and the 4th higher high with a lower high in RSI. Technically, that rejection had a slightly higher closing high, but it was short lived and as I mentioned at the time it was happening, has all of the resemblances of a blow off top. Now we are failing at 2050 and RSI 60. We have major support at 1900 and a 200day EMA that is slowly climbing to that level. The last major low in gold held at the 200day EMA at 1800, so bullish or bearish, I think we see a test again at 1900, then we can decide based on how it looks if this is a pullback to go long or if continued caution is warranted.

Throughout the bull market in 2009-2011, gold never moved too far beyond the 200day EMA before testing it again. On avg, it peaked about 18% higher on each major swing higher. The most was 25% higher which happened twice, after the first break of 1000 and the final high at 1900. **The past 2 yrs, the biggest swings above the 200day EMA were the peak last March at +15% and now at +10%.**

GDX has a more pronounced lower high in RSI and a less pronounced higher high in price, but what I'm looking at here is price action 1 yr ago. I know I'm beating a dead horse with the comparison to last year, but there is a lot of similarities. **Besides the level in which RSI spiked on the first peak, which is identical** both times, **the time between the 1st and 2nd peak 1 yr ago was about 5 weeks.** We then immediately began falling hard. The first peak at 36 this time came April 12. **It's been 4 weeks now** and we got a blow off reversal last week after FOMC, and are now coming down fairly aggressively. As I mentioned before, we are getting to the point time wise where something should begin to transpire, and looks like we may be about there. At this point, the idea of buying gold for protecting against recession or banking risk, is as old news as old news gets. Sentiment is too bullish to give any room for meaningful profit from the long side without a shakeout and correction first. **Since getting the signal to short GDX 3 weeks ago, those signals reversed and turned bullish for a total of 1 week, before reverting back again.** RSI move above 60 on GDX 4 hour unwound in 3 days and MA crossovers unwound in 5 trading days. And that was the reasons I didn't get faked out by this blow off move. **It is NOT the right call to be long GDX here, plain and simple.** Whether this proves only a bullish correction or worse, we will see, but at 36, I have no interest being long GDX here.

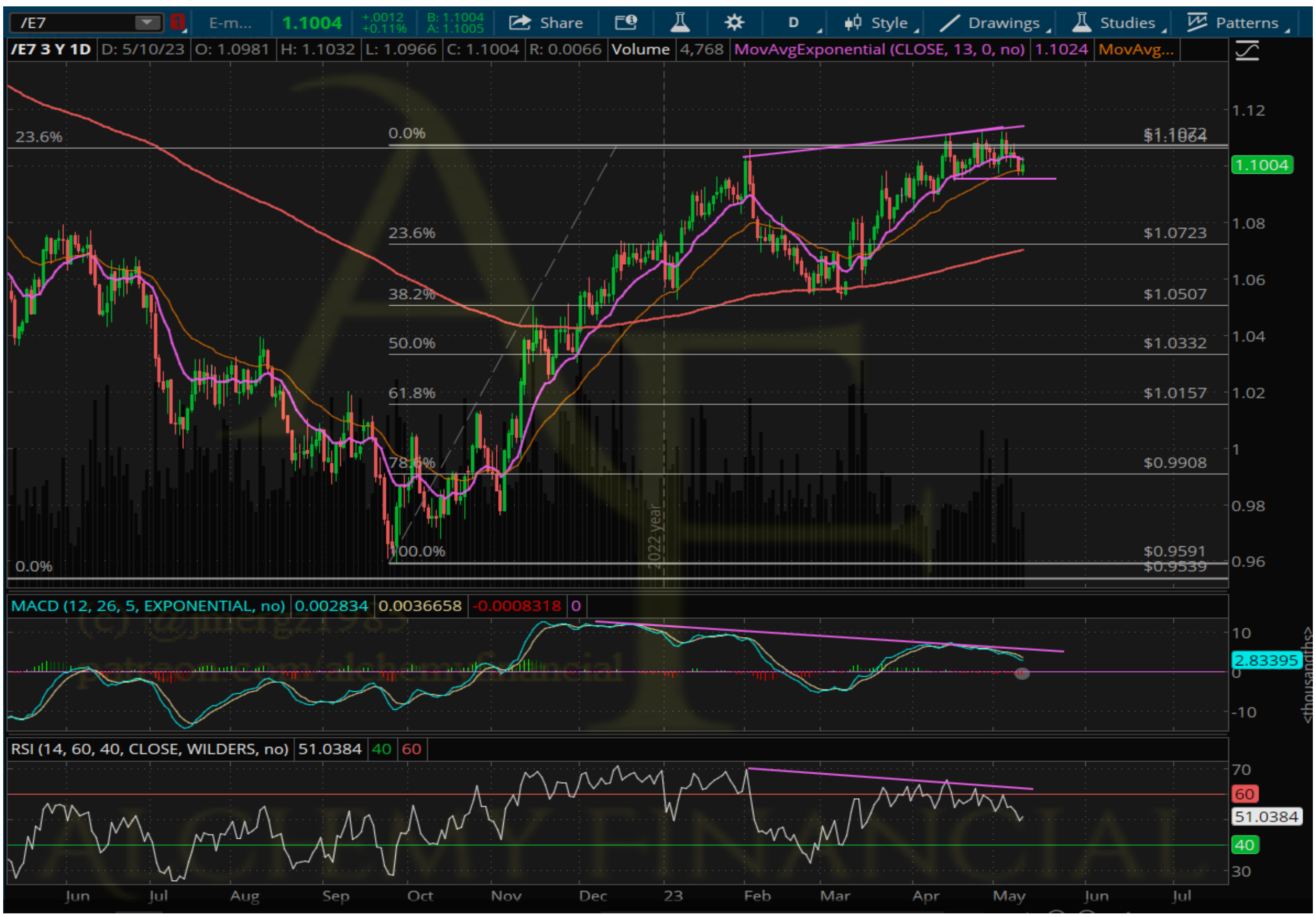


Another point on GDX; we have strong support at 33 that was the high last June as well as the Jan top. We came down and tested this before a blow off move higher to retest 36**. I expect that when we come back to this level again, it will coincide with a test of 40 on daily RSI.** If that breaks, GDX is in trouble. There is some support at 32 but 30 is the major level I would be looking for at first. Another point, **notice we never did close that gap from last April between 36 and 37?** I highly doubt we will either.

There isn't much difference in GDX/GLD as GDX in terms of the chart, except that it is starting to look weaker. I would watch it as I anticipate it will give bearish signals on the daily chart before GDX does.

Another point on GDX; we have strong support at 33 that was the high last June as well as the Jan top. We came down and tested this before a blow off move higher to retest 36**. I expect that when we come back to this level again, it will coincide with a test of 40 on daily RSI.** If that breaks, GDX is in trouble. There is some support at 32 but 30 is the major level I would be looking for at first. Another point, **notice we never did close that gap from last April between 36 and 37?** I highly doubt we will either.

We have negative divergence in RSI on Euro here and it looks to be weakening and threatening a break of the support area near 109.50. If it does, first support is at 1.08 which is near the 200-day EMA currently. I'd anticipate this to translate to about 104 for DXY, and that gives metals another headwind.



That wraps it up for now. This has truly been a measure of patience the last few weeks, but the goal is and always has been, low risk/high probability of profit positions, and gold and miners here just don't fit that. No matter how tiring it gets, no matter the FOMO from watching things LOOK like they are breaking out, only to fall back again, unless that changes, there is no reason to be buying miners or metals here. Holding long-term investment positions, fine. **But adding to them, or buying leverage, or holding on to leverage fearing you will miss out on the last few inches of upside, is the wrong call.** Even if we do move higher from here, it won't be low risk with a high probability of profit, and that is the only goal.

I believe from a time standpoint, we are about to see the unwind and bears take control on precious metals, but if that's the wrong view, sitting on the sidelines is the best alternative rather than adding here. We can look at the charts and see, the corrections always come. It's simply a matter of patience.

-Jonathan Mergott