

Balmoral Resources Ltd

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Who will the winners be as gold and silver push onwards and upwards?

Geopolitical uncertainty is supporting gold, but which companies are set to benefit?

There are the obvious answers of course - Goldcorp Inc (TSE:G), Barrick Gold Corp (TSE:ABX), B2Gold (TSE:BTO) and established mid-tiers like Eldorado (TSE:ELD) and Osisko (TSE:OSK).

But with their size and scale, the gains these companies are likely to book even in the face of a full-blown bull market - which we aren't even approaching yet - are likely to pale in percentage terms to those enjoyed by the juniors.

The most cautious previous metals investors of all - those who are seeking safe haven assets only - will always go for the ETFs. Those looking for gains, yield and only modest levels of risk have Barrick, Goldcorp and the diversifieds, like AngloGold (NYSE:AU) and Freeport McMoRan (NYSE:FCX).

But for those really interested in upside in a rising precious market, there is no other place to be than down and in amongst the junior stocks.

There are many reasons for this. First, with pure play exploration a major discovery adds the most value in percentage terms, as a company transforms from an idea and some seed money into something tangible and with value.

Second, the juniors are the obvious take out targets for larger companies looking to build inventory in a rising market in a fast and effective way.

And third, ongoing investment in the junior mining sector is indicative of an optimistic mind-set in the equities market and that can feed upon itself.

What's an ounce of gold in the ground worth?

Answer: it depends on market conditions. In a bear market, never mind a low discovery cost, an ounce of gold in the ground can be virtually ignored when it comes to valuing a company. That's because if a company can't get funded the ounces are going nowhere anyway and a negative feedback loop develops.

But in a rising market the opposite can happen. A greater chance of finance renders an ounce of gold in the ground more likely to come out of the ground, and that fact in itself gives the ounce more value.

Companies like Dalradian Resources Inc (TSE:DNA) bear this out. Some of the best intercepts from Dalradian's Irish project have showed over 100 metres mineralised at more than 1 gram per tonne gold, but it's the strong financial position of the company that's really supporting ongoing positive sentiment.

The shares have risen by around 40% in the past 12 months allowing more than US\$20 mln of new money to come in via the exercise of in-the-money warrants.

Price: 0.45

Market Cap: \$80 m

1 Year Share Price Graph



February 2019 August 2019 February 2020

Share Information

Code: BAR

Listing: TSX

52 week High Low
0.49 0.095

Sector: Gold & silver

Website: www.balmoralresources.com

Company Synopsis:

Founded in 2010 Balmoral Resources is a gold exploration and development company focused on creating shareholder value through the acquisition, aggressive exploration and development of gold projects/resources in the major gold districts of North America.

action@proactiveinvestors.com.au

And this positivity is by no means isolated. Shares in Balmoral Resources (TSE:BAR) have risen by around 60% in the past 12 months as it continues to deliver attractive drilling results from its exploration ground in Quebec, including most recently one intercept of over 75 metres grading more than 1 gram per tonne.

Having said that, not all gold miners are on a tear, yet.

Pilot Gold Inc (TSE:PLG), which has made major discoveries in Nevada, is broadly flat over the past year, partly because of a perception that the best exploration news is already behind it.

Similarly, market stalwart Moneta Porcupine (TSE:ME) is also broadly flat on the year, although it did spike in the summer on US election uncertainty and dollar weakness.

Now, we have dollar strength, which will to some extent sort out the wheat from the chaff in the gold space. But the uncertainty is back with a vengeance as tension ratchets up in North Korea and Syria.

All the losses booked by gold since the election of Donald Trump in November have now been recovered. US\$1,300 looks within easy reach.

In response, the Canadian gold miners are likely to go from strength to strength.

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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