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Junior Gold Miners- More upside to come? - August 2020

Report written by Clear Capital research

Junior Gold Miners – More upside to come?

The price of gold has attracted a significant amount of attention in recent weeks as the yellow metal reached the \$2,000 per ounce milestone. The bull market in gold remains well established and had been steadily rising prior to the world being gripped by a pandemic.

Analysts believe that gold has plenty more room to run against the backdrop of rising geo-political tensions, elevated political and social uncertainty in the US, and a swelling COVID-19 second wave. There is also the threat of further downside in interest rates which will have investors scrambling to offload cash into safe, inflation protected assets.

Goldman Sachs expects gold to jump almost 20% from its already record level to reach \$2,300 in the next 12 months on rising concerns over the US dollar's global standing as a reserve currency. This bullishness in gold has trickled down to the junior mining stocks and exploration activity is beginning to increase as the margins for safety have widened due to the increased price of gold.

In this report we take a more detailed look at 5 junior listed gold miners in the UK and look at the prospects for greater returns in the coming months.

Clearly there is more risk associated with smaller companies, but the rewards can be far greater for those with a greater appetite for risk. In most instances with junior miners the returns have significantly outperformed the spot price of gold, so for those investors that are in a rush or looking for that 'multi-bagger', maybe one of the 5 highlighted stocks will interest you.

The image below shows the weekly chart of the spot gold price. The bull market has been established for many months and is showing no signs of slowing. In recent weeks we have seen some profit taking as the price reached new all-time highs at \$2,075 per ounce. The correction lower is expected to be shallow and new buyers could be set to emerge in the near term to continue this bullish run over the medium to long term. This should provide a positive environment for junior gold miners to thrive.



Source: Tradingview.com

ARIANA RESOURCES (AAU)

Ariana Resources plc is engaged in the acquisition, exploration and development of gold and technology-metals primarily in Turkey and Australia. The Company is focused on the Red Rabbit Gold Project located in the western Turkey, comprising the Kiziltepe and Tavsan sectors. Its projects include Kizilcukur project, Ivrinti project, Demirci project and Salinbas project.

Fundamentals

Ariana returned a profit before tax of just under £7m for the year to December 31, 2019. The profit came as the company continued to enjoy revenues from its Kiziltepe gold mine in Turkey, where operations are now well established. Dr Kerim Sener, Managing Director of Ariana Resources, commented: "This new Resource Estimate represents a major increase in the resource, confirming the Project as having multi-million-ounce, multi-commodity potential and indicates further growth opportunities." Drill planning is underway for further testing, and if any of these tests produce positive results, then further upside in the price can be expected.

Market Capitalisation: £57.22 million

Sector: Mining

12 Month Price Range: 1.78 – 5.75p

Technical Analysis

Ariana Resources has enjoyed spectacular growth in recent month and continues to outperform the physical gold price. Any dips towards the trend line that began in mid-March are likely to attract new buying interest as the bull market in precious metals is showing no signs of slowing. Buying dips towards 4.3p is the preferred plan in the short term.

Verdict: BUY

Buy between 4.30 – 5p

Stop: 3.55p

Targets: 10p



Source: Tradingview.com & LSE.co.uk

CONDOR GOLD (CNR)

Condor Gold PLC is a gold exploration company. The Company operates projects in Nicaragua and El Salvador. The Company's interests include approximately 10 concessions in the La India Mining District in Nicaragua, and over four licenses in approximately two project areas in El Salvador.

Fundamentals

Condor recently updated the market stating they have made ‘significant progress’ in meeting the terms of its environment permit for development and exploration in Nicaragua. Condor has 1.12 million ounces of gold open pit mineral resources permitted for extraction, inclusive of a mineral reserve of 6.9 million tonnes at three grams of gold per tonne for 675,000 ounces of gold. With Gold prices around \$2000 there will be appetite to continue exploration even when production begins. The fresh round of funding in June means the company is well positioned in the near term.

Market Capitalisation: £60.42 million

Sector: Mining

12 Month Price Range: 18.50 – 61p

Technical Analysis

Shares in Condor Gold soared at the end of May 2020, far outstripping the gains seen the physical price of gold. The pullback was quite aggressive and would have forced out some nervy investors. Those that are in for the long haul have seen since a recovery back towards those 52-week highs around 62p. Overall, the trend remains bullish and the gains continue to outperform the physical price. Expect dips to be bought and for a continuation of the trend over the medium term.

Verdict: BUY

Buy between 42 – 50p

Stop: 33p

Target: 100p



TradingView

Source: Tradingview.com & LSE.co.uk

GREATLAND GOLD (GGP)

Greatland Gold plc is a mineral exploration and development company focused on gold in Tasmania and Western Australia. The Company's geographical segments are the United Kingdom and Australia. It has approximately five mineral projects, which include Havieron project, Ernest Giles project, Bromus project, Firetower project and Warrentinna project.

Fundamentals

Drilling is underway at Greatland Gold's Scallywag prospect area in Western Australia as the company received the appropriate approvals. This should lead to drilling at additional high-priority targets. The shares were recently upgraded by Hannam & Partners with a price target of 17.8p based on Groatland's exposure to a 'tier-1 gold asset'. The joint venture with Newcrest Mining appears to be going exceptionally well with Shaw and Partners analyst Peter O'Connor stating, 'The results so far have been extraordinarily good'. Exciting times appears to be ahead for Greatland Gold.

Market Capitalisation: £491.67 million

Sector: Mining

12 Month Price Range: 1.52 – 15.60p

Technical Analysis

Greatland Gold's share price was already well on its way prior to the spot gold price heading towards \$2000. The prices have flatlined in recent weeks, but this appears to be a consolidation rather than the beginning of a reversal. The shares have significantly outperformed the price of physical gold over the past 12 months and we see no reason for that to change. The consolidation appears to be a decent opportunity to accumulate new positions ahead of a continuation higher.

Verdict: BUY

Buy between 9 – 13p

Stop: 6.9p

Targets: 26p

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LSE_DLY:GGP, 1D -0.22 (-1.75%) O:13.12 H:13.20 L:12.54 C:12.98



TradingView

Source: Tradingview.com & LSE.co.uk

PURE GOLD MINING (PUR)

Pure Gold Mining, Inc. engages in the acquisition, exploration, and development of gold mineral deposits in Canada. Its projects include Madsen Red Lake Gold Project. The company was founded on November 14, 2005 and is headquartered in Vancouver, Canada.

Fundamentals

There was a temporary shutdown at Pure Gold Mining’s Red Lake site in recent days due to a forest fire. This is now under control with power and access restored, this caused a minor dip in the share price but was quickly snapped up by eager investors. Overall, the company is strong financial position with \$120million available in funding and \$72 million remain on capital expenditure. The development of its Red Lake mine in Ontario is advancing rapidly and the company remains on track to deliver the first ore to the processing mill before the end of the year.

Market Capitalisation: £443.71 million

Sector: Mining

12 Month Price Range: 26 – 137.5p

Technical Analysis

Pure Gold Mining’s share price along with other junior gold miners has powered higher in recent months from 52-week lows at 25p all the way to 52-week highs at 138p. The overall trend remains strong and this is being supported by the physical gold price. The shares have significantly outperformed the physical gold price throughout the recent rally, and we continue to see dips as an opportunity to buy.

Verdict: BUY

Buy between 100 – 120p

Stop: 90p

Targets: 200p



Source: Tradingview.com & LSE.co.uk

ROCKFIRE RESOURCES (ROCK)

Rockfire Resources PLC, formerly Papua Mining PLC, is engaged in exploration for gold and copper resources in Papua New Guinea (PNG). The Company holds approximately six exploration licenses with a total area of approximately 1,800 square kilometers in the central part of New Britain Island. Its operations include Mt Visi target and Tripela Target.

Fundamentals

Junior Gold Miner Rockfire Resources raised £1million by placing new shares in recent weeks and plans to use the funds to drill up to 750meters deep at its wholly owned Plateau Gold Deposit. Chief Executive Officer David Price said the company’s previous drilling to depths of 230 meters intersected long intervals of low-grade gold, which was in line with expectations based on the Mt Wright mineralisation model. The funds now in place would test to 500 meters depth, and an even deeper drill hole was planned to test to 750 meters vertical from surface, he explained. The company plans to mobilise the rig as quickly as possible and its now a case of waiting for the results.

Market Capitalisation: £11.78 million

Sector: Mining

12 Month Price Range: 0.27 – 2.33p

Technical Analysis

Rockfire Resources share price exploded higher back in November 2019 on positive news from one of its sites. We then saw a correction take place over many months as investors awaited further news. The move higher in recent months has been a lot steadier which has in the main been generated by the bull run in spot gold price, sprinkled with some good news from the company. While gold prices remain elevated, we can expect this to act as a back stop to the price. Any upbeat news from the company could send the shares significantly higher from here.

Verdict: BUY

Buy between 1.05 – 1.35p

Stop: 0.82p

Targets: 3.5p



Source: Tradingview.com & LSE.co.uk

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