

Is it time to get into the gold exploration juniors – at long last?

The gold price is through US\$ 1,400/oz for the first time in six years and the question is – is today the day? Can we get into the market and make some money on the gold exploration juniors?

Several key factors are supporting the macro environment for the stability and improvement in the gold price at this time:

- Accommodating fiscal markets and policy in both the USA and the EU;
- Trade tensions between the USA/China, UK/EU and now USA/EU;
- Geopolitical risks from Iran, shipping issues, nuclear deal, missiles, Venezuela; and
- Gold was designated “Tier 1” under the Basel 3 Accord for reserve status on April 1, 2019 – really.

All of these items are positive for the price of gold and are not going to change or clear up soon. However, the broad equity markets are still reaching new highs so why take the commodity risk of gold?

Gold moved above the US\$ 1,350/oz level after the July 18/19 FOMC meeting that indicated a potential cut in rates at the July 31 announcement. Now gold is at US\$ 1,420 and holding above US\$ 1,400 for the past two weeks. Is this the break out that will bring the money back to this sector. I would say it is too early to tell, but there is a better chance now than in the past decade.

A recent Barron’s article builds on this theme and recommends a market exposure of 5-10% into the sector. Senior stocks are

at new yearly highs while the gold price is up 12% on the year. Gold stocks and their market value are then leveraged to the price as their earnings grow.

The overall market is still in a low as highlighted by the HUI stock index that is just making an uptick since it started a decline in 2008. That is a decade of disappointment with a false break out in 2016. This period of decline left only a small group of investors still committed to the sector. This vacuum leaves an opportunity for those interested and paying attention to the sector.

Remember companies will take capital where they can get it. Investors should look for companies that can add value independent of the gold price through discovery, exploration, and development of their assets.

Where do you look for value and upside in this market? The first step is to look at companies with money to do the work and generate results. Financing in the sector in 2017 was almost \$4.6 billion, 2018 saw a drop to \$2.8 billion and for 2019 we may be approaching \$1 billion. The number of deals is down; the average deal size is down with over 60% less than \$1 million. Companies are still just hanging on. There are bigger deals and a good place to find out who is getting it done is the Oreninc deal log.

Fortunately, we are in a more positive gold price market that is supported by fiscal and Geo-political environments. In Canadian dollars the gold price is approaching \$1,900/oz; this should get some investors excited.

In this light, we are looking at Canadian junior exploration companies that are funded and should generate results to garner interest. We are just getting started in the 2018 exploration season in many parts and need to wait for these results.

Our first note in this group, Tudor Gold Corp. (TSXV: TUD) on

July 9, 2019, moved from 43c to 62c on just funding news. I expect more upside once they post results from the GoldStorm prospect. Also in BC's Golden Triangle results from GT Gold moved their stock up sharply after four months of sideways trade as the market waited for the exploration season to begin. Both companies hold large projects with significant discoveries to build on.

On the east coast, Marathon Gold Corporation (TSX: MOZ), is up close to 20%, with substantial dollars traded, in the past couple of weeks on good hits expanding their resources. They too are well funded and working an advanced project.

Funded companies with quality projects will lead this new upswing in the juniors and we will watch the sector and report on them as the exploration season continues.