



1 Gold Junior to Benefit From Gold's Surging Value

Description

Gold is continuing its relentless climb upwards, fueled by rising tensions on the Korean Peninsula, growing political uncertainty in the U.S., and fears that Trump will be unable to carry out his pro-growth pro-business policies. The lustrous yellow metal is trading at its highest price since September 2016. This has been a boon for gold mining stocks with many senior miners, including **Barrick Gold Corp.** ([TSX:ABX](#))(NYSE:ABX), rallying strongly.

Nonetheless, many junior gold miners have yet to fully benefit from the latest spike in gold, leaving them attractively valued, particularly because they offer far greater potential for outsized returns than senior miners. One that stands out for all the right reasons is junior explorer **Seabridge Gold Inc.** ([TSX:SEA](#)) ([NYSE:SA](#)).

Now what?

Seabridge owns the Kerr-Sulphurets-Mitchell, or KSM, project in British Columbia, which, by measured reserves of almost 39 million gold ounces, is considered one of the largest undeveloped gold projects in the world. It also owns two other advanced-stage projects: the Courageous Lake and Iskut properties in the Northwest Territories and northwestern British Columbia, respectively.

During the second quarter 2017, Seabridge acquired **Snowstorm Exploration LLC**, giving it ownership of the 5,800-acre Snowstorm property in Nevada. That asset holds 700 mining claims and is strategically located at the intersection of three of Nevada's main gold trends: the Carlin Trend, the Getchell Trend, and the Northern Nevada Rift Zone.

This acquisition, while an unproven asset, holds considerable potential, thereby boosting Seabridge's already considerable exploration upside.

More importantly, Seabridge is making progress in bringing the KSM project to the point where mine development is feasible. The property has been permitted, and the government recently approved the project's tailings management facility. Seabridge has also established an ambitious drilling program and reported solid results for the second quarter, adding a further three million ounces of gold and 2.1 billion pounds of copper to the project's resources estimate. While that doesn't guarantee those metals

can be economically recovered, it indicates the tremendous potential held by the KSM property.

This asset potentially makes Seabridge a takeover target, especially as senior gold miners scramble to bolster their development pipelines to secure future production growth after years of underinvestment because of the prolonged bear market in gold.

There has already been a scramble among senior miners, including **Goldcorp Inc.** (TSX:G)(NYSE:GG) and Barrick Gold, [to acquire](#) development-stage properties in Yukon. Both finished the second quarter with solid balance sheets; Goldcorp reported US\$3 billion in liquidity, while Barrick had US\$2.9 billion in cash alone before even considering undrawn credit facilities.

U.S. senior miner **Newmont Mining Corp.** ([NYSE:NEM](#)) is also focused on making acquisitions, investing US\$109 million in Colombia-based **Continental Gold Inc.** during the quarter. With over \$3 billion in cash on its balance sheet at the end of the quarter, it is more than capable completing more opportunistic acquisitions.

Such significant liquidity in an operating environment where gold has appreciated significantly coupled with a lack of gold discoveries make high-quality projects such as KSM appealing acquisition targets.

So what?

No investment is without risk, and a junior gold miner like Seabridge can be a risky investment. Not only could a considerable proportion of the gold and copper identified prove uncommercial to mine, but cost blowouts, a changing regulatory environment, and weaker metals prices could make its flagship KSM project unfeasible.

Nevertheless, Seabridge's ability to raise almost \$38 million from equity financings during the second quarter speaks volumes about its prospects. When combined with the positive outlook for gold, now is the time for risk-tolerant investors to consider adding Seabridge to their portfolios.

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