



1 Junior Gold Miner to Play Higher Gold

Description

Gold has dipped sharply in recent days because of easing geopolitical tensions, subsiding fears of a trade war between the U.S. and China, and renewed optimism in the outlook for the global economy. The lustrous yellow metal has fallen by 3% since hitting a 2018 high of US\$1,364.40 per ounce in late January to be trading at US\$1,307 per ounce. While it may soften further, there are signs that [gold will rebound](#).

Now what?

You see, one of the key drivers of firmer gold prices are [geopolitical crises](#). While tensions have eased in the Middle East in recent weeks, there are plenty of catalysts that could cause them to flare up again. This includes the proxy conflict between Saudi Arabia and Iran for regional supremacy, which is growing in intensity. Then there's the likelihood that in less than two weeks the Trump administration won't re-certify the Iran nuclear deal, which will certainly cause the relationship between Washington and Teheran to become more strained.

While the global economic outlook has become more upbeat in recent weeks, noticeably with the threat of a trade war between the U.S. and China abating, there is every possibility that new threats could arise because of the erratic nature of President Trump's policies.

When the next crisis hits and gold firms, it will give gold miners a solid boost, especially junior gold miners, because their share prices are levered to the price of the yellow metal. Among my top picks for gaining exposure to gold is **Seabridge Gold Inc.** ([TSX:SEA](#))([NYSE:SA](#)), which has dropped by almost 6% in value since the start of 2018. Seabridge is a development-stage gold-mining junior; it's developing the Kerr-Sulphurets-Mitchell (KSM) project in British Columbia.

The company, at that property and its Courageous Lake acreage, has been assessed to have reserves of 45 million gold ounces and 183 million ounces of silver. Seabridge is ranked as the seventh-largest gold miner globally by reserves, which is a significant achievement for a junior miner. The size and scale of Seabridge's reserves and the KSM project make it a very attractive takeover or joint venture target for a major gold miner.

You see, after years of sharply weaker gold, which saw investment in exploration and development of new ore bodies decline significantly, senior gold miners, such as **Newmont Mining Corp.**, have been eagerly investing in junior miners in a variety of locations to boost their reserves and production. The attractiveness of the KSM project is high. It is located in the mining-friendly jurisdiction of Canada, holds considerable gold, silver, and copper reserves, has received the required government approvals, and continues to experience a high drilling success rate.

Seabridge has also embarked on an ambitious drilling program at its Courageous Lake property. During 2018, it plans to execute a 36-hole, 7,200-metre drilling program to test a range of geophysical targets. That program should cause mineral reserves and resources at the property to increase by the end of the year, which would further boost Seabridge's attractiveness as an investment opportunity for a senior gold miner.

So what?

Because it is a development-stage mining junior, Seabridge is a risky investment and certainly not for the faint-hearted.

Nonetheless, the sheer size of the KSM's reserves combined with considerable exploration upside and Seabridge's Courageous Lake acreage make it an attractive investment. That risk also means that when gold firms, Seabridge's shares should rise at a far greater rate than senior gold miners, meaning there is considerable potential for it to generate outsized returns for investors.

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