Mining News – Sunday Roundup, 12th July 2020



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Gold and copper are the focus of attention this week, for different reasons.

Gold is moving up again as the US ‘recovery’ appears to be in doubt, as government benefits are due to cease soon.

Copper increased due to withdrawals from the LME and Shanghai warehouses, and supply chain fears have increased due to Chilean copper mines looking to strike, in addition to temporary mine closures due to covid-19 in both Chile and Peru.



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Another decent week for mining investors, as the price of gold, silver, and copper increased.

I have noticed, and previously commented upon, the number of placings that are being increased in size “due to investor demand”. I am concerned that investors are flooding back into the mining sector due to the rising price of gold, and are buying anything in the belief it cannot fail but go up. Where have we heard that before?

I do think we may be near the “irrational exuberance” stage,

given the outcome of two recent placings.

The first is Vizsla Resources Corp., (TSX.V: VZLA), which tried to run a bought deal at (Canadian) 55 cents, but eventually closed at 43 cents. This stock now trades at C$2.50, after being as high as $2.93!

Six days after floating, they released drill results which shot the price skywards, which looks very manufactured, to a crusty old cynic like myself. Good drill results so close to a bought deal? Hmmm!

The other placing was for Fosterville South (TSX.V: FSX), which raised at $1.10 on the 29th April, and has now announced another financing at $4, just two short months later!

I should declare I bought FSX stock after the first placing, as I thought the story would be well received by the market, with three principal projects close to or abutting Kirkland lake Gold's Fosterville mine, which was KL's company maker, due to having the lowest AISC in the world.

The common denominator between the above examples, is the source of information was the same in both cases. Now that same source has another Mexican silver deal, and wants me to become a subscriber! One has to wonder how someone can be so accurate on two deals within such a short space of time?

Stocks

Several of the companies we follow are registering all time highs, including Orla Mining (TSX.V: OLA), Minera Alamos (TSX.V: MAI), Fosterville South (TSX.V: FSX), and Gold Road Resources (ASX: GOR).

All are gold development or production stories so it's hardly a surprise to see them performing so well, but I think it highlights the point that with a high gold price you want to be in producers, or those very close to production, and financed through their construction.

I am going to initiate coverage of Apollo Consolidated (ASX: AOP), a story I liked after (virtually) meeting management recently. I am also looking at GoGold (TSX.V: GGD) which is a company processing silver tailings in Mexico, helping to fund some very high grade exploration in the same country.

I plan to create a new watchlist for junior stocks to lightly monitor for future developments, a sort of GM Vauxhall Conference, for those familiar with non league football. Tristar Gold will be the first entry.

Indices

- GDX…….38.4…….+31.5% YTD
- GDXJ……..53.0…….+25% YTD
- SLV……..17.4…….+19.42% YTD
- SILJ…….12.8…….+3.22% YTD

Metal prices

Gold……..$1799

Silver…….$18.73

Copper…….$2.88

Nickel……$6.09

Zinc……$0.97

Copper increased due to withdrawals from the LME and Shanghai warehouses, and supply chain fears have increased due to Chilean copper mines looking to strike, in addition to temporary mine closures due to covid-19 in both Chile and Peru.

The Chinese have also been buying copper futures in London, and it is rumoured there is a shortage of scrap in China currently.