

Barrick Gold Corp.

15:17 25 Jun 2019

Miners are delivering massive share price rises now that gold is on the move

As the newfound caution of the Federal Reserve has put the brakes on the inexorable rise of the US dollar, gold has been finding new vigour, up by around 9% since the beginning of June.

The strong upward surge has been given additional impetus by the ongoing tension in the Middle East, in particularly with respect to Iran, the US and the safe passage of oil through the Straits of Hormuz.

WATCH: 'Perfect timing' for Resolute Mining as it dual lists in London But it's also been showing through in the performance of gold mining and exploration companies.

At times of significant price fluctuation shares in gold mining companies often move more dramatically than the actual gold price, as investors know that a higher price is likely to have a disproportionately positive effect on margins, since costs are unlikely to be moving around with anything like the same vigour.

This line of thinking has been more than borne out in the movements we've seen in recent weeks.

At the top end of the market the effect is no less pronounced than it is lower down. Since the end of May shares in Barrick Gold (TSE:ABX) have risen from around C\$16.00 to over C\$21.40, a rise of over 33%.

Over the same period shares in AngloGold Ashanti (NYSE:AU) have risen 50% from US\$12.00 to US\$18.00, shares in Newmont Mining (TSE:NGT) have risen by around a fifth to C\$50, and shares in Newcrest (ASX:NCM) have risen by around 25% to A\$32.30.

Even shares in troubled Acacia Mining (LON:ACA) have managed to rise around 25% to their current 193.5p, while debt-ridden laggard Petropavlovsk PLC (LON:POG) has added just over 25% to its market capitalisation as the share price approached 10p for the first time in four and a half years.

What these companies all have in common, of course, is that they're in production, and well-established as producers too. Indeed, they're the among the most famous names in the business.

Lower down the scale, where production is at a smaller scale, or else has yet to start, the picture is decidedly more mixed.

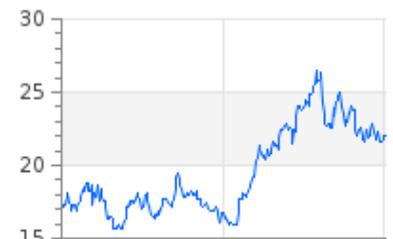
But here too, companies and their investors are still sitting on some huge gains.

Shares in Alkane Resources Ltd (ASX:ALK), which owns the Tomingley gold mine in Australia, as well as a rare earths asset, have put on more than 50% in the past few weeks, and are now trading at A\$0.44.

Price: 21.85

Market Cap: \$38.84 billion

1 Year Share Price Graph



November 2018 May 2019 November 20

Share Information

Code: ABX

Listing: TSX

52 week High Low
26.69 15.37

Sector: Gold & silver

Website: www.barrick.com

Company Synopsis:

On 1 January 2019 a new Barrick was born out of the merger between Barrick Gold Corporation and Randgold Resources. Shares in the new company trade on the NYSE (GOLD) and the TSX (ABX).

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Shares in Shanta Gold Ltd (LON:SHG), which has a track record of production in Tanzania, have risen by nearly a third.

Shares in Bezant Resources (LON:BZT) which has a huge undeveloped gold-copper asset in the Philippines have risen by 1p to 9p.

And shares in Goldplat plc (LON:GDP), which recovers gold from used industrial equipment have added around 20% to 2.76p.

But not everyone's a winner. By contrast, shares in Chaarat Gold Holdings Ltd (LON:CGH), which has just acquired a producing mine in Armenia, have drifted by 2p since the end of May, and are now trading at 29p.

What are we to make of all this share price strength?

The first thing is that the mining markets are simply conforming to a well established pattern. Investors see more leverage in gold equities than in the physical metal in a rising market, and are wont to pile in. Caveat emptor, though. A similar effect can also be seen when the gold price is dropping, which is why markets were so tough for miners throughout 2018 and the early part of 2019.

A second factor that may come into play now is the acceleration of an already established trend of consolidation. Last year Barrick gobbled up London's gold mining champion Randgold, and now looks set under the new stewardship of Mark Bristow to absorb Acacia Mining too.

On a smaller scale, Chaarat Gold is looking to consolidate gold assets in Asia, and if its shares haven't benefited from the recent uplift it's worth noting that at the current 29p the shares are up significantly from the 21p level at which they were trading a year ago.

Expect activity to hot up in Australia's Fraser Range too, where Greatland Gold (LON:GGP) has significant gold exploration exposure. Newcrest has already come in for a piece of that action, but it wouldn't be surprising if the other companies in the area like Rio Tinto or Sipa Resources Ltd (ASX:SRI) started looking over each other's projects and valuations too.

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