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Unearthing best hopes amid new gold rush

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Bullion's romp beyond the record $2000-an-ounce level in Aussie dollar terms has prompted investors to take a closer look at the pantheon of A producers — despite some problems in the mid tier that have tarnished the sector.

Globally, gold again is living up to its status as a safe harbour and a store of value in troubled times, even though in economic and geopolitical te not exactly new.

The plunge in global bond yields — with expectations of more interest rate cuts to come — has forced investors' quivering hands as they seek an reliably in a downturn the central banks seem to be anticipating.

According to the Perth Royal Mint, since 1971 gold has outperformed stocks and bonds in periods when Australian interest rates have been below

And in the five worst calendar years for shares, gold rose 9 per cent while equities fell an average 12 per cent.

In US dollar terms, the lustrous metal has gained 9.5 per cent this year and 13 per cent over the past 12 months. But at around $US1400 an ounce the peak of just over $US1800 an ounce attained in September 2011.

In Australian dollar terms, gold has increased 11 per cent since January and almost 20 per cent over the past year.

According RBC Capital Markets, the average share price for the producers (both small and large) gained 20 per cent in the June quarter. That's d Resources and Coolgardie Minerals falling into administration and other production whoopsies elsewhere.

For investors, the purest proxy to having a gold bar under the bed is an established producer such as **Newcrest Mining (NCM, $31.83),** the bigge with a huge $24 billion valuation.

Newcrest should have produced just over 2.4 million ounces in 2018-19, with broker Morgans forecasting a $US564 million ($805m) profit on $U two of Newcrest's key mines (Telfer and Gosowong) look tired and it will be a while before its offshore growth projects (Wafi-Golpu in Indonesia Canada) are advanced.

The other sectoral big bananas, **Northern Star Resources (NST, $12.17)** and **Evolution Mining (EVN, $4.43)** are enjoying robust production, b hard and arguably they are fully valued (if not overvalued).

What about the emerging producers and the up-and-comers?

Gold Road (GOR, $1.35) recently cracked the $1bn market cap barrier and an entree into the ASX 300 index after pouring the first three gold b handy $2.27m) from its Gruyere project near Kalgoorlie.

A joint venture with South African giant Gold Fields, the open-cut mine is slated for substantive output of 300,000 ounces over a 12-year mine l

With a 3.92 million-ounce resource, Gruyere is one of the country's biggest mines. Yet the deposit — unearthed only six years ago — remained u because it was buried under a thick overlay of sand. Prudently, Gold Road has hedged (forward sold) 130,000 ounces — 30 per cent of output att for the next three years — but chief executive Duncan Gibbs isn't making any rash predictions about the gold price. "What's to say gold won't go back to $1500 an ounce," he says. "I just don't know".

What's more certain is that Gruyere's current per-ounce all-inclusive production costs of $1050 provide plenty of leeway.

In the mid tier, the market has re-rated WA producer **Ramelius Resources (RMS, 71c)** since the company fended off a rival bidder to acquire li Explaurum in a scrip offer. But arguably Ramelius is still undervalued relative to its peers.

The Explauram takeover added the 485,000-ounce Tampia Hill project to the Ramelius portfolio, which includes the producing Mount Magnet a the Marda project (picked up from the administrators of Black Oak Minerals for $10m).

Ramelius produced 196,000 ounces in the 2018-19 year at an all-in cost of $1175-$1225 an ounce, with forecast output of 205,000-225,000 ounce

The company is currently valued at $460m, including $104m of cash and gold inventories.

Another mid-level play with an interesting valuation is **Dacian Gold (DCN, 64c)**, which lost two-thirds of its value after slashing June quarter p increasing its per-ounce cost estimates.

The shares then recovered some 30 per cent after the company released a revised mine plan for the next eight years.

Dacian's mainstay Mount Morgan operation is slated to produce an average 170,000 ounces a year over the first five years of the plan, with 150,0(forecast for the current year.

Broker Citi forecasts a small loss for the 2019-20 year, rebounding to a $63m profit for the current year. On these numbers, the stock is trading o a little over two times.

To capitalise on the buoyant gold price, Dacian has hedged 147,000 ounces — 13 per cent of its expected life-of-mine output, at an average $1810

Dacian's current valuation stands at $143m with its cash kitty of $45m comfortably servicing $105m of debt.

At the exploration end of the market, **Chalice Gold Mines (CHN, 14c)** is the talk around the saloons because of its capacious cash that has bein Pyramid Hill prospect in Victoria.

Chalice has also executed what looks like a handy deal to sell its tenements in Quebec to O3 Mining, an offshoot of Osisko Mining.

The deal saw Chalice receive 3.092 million shares in O3 and it is also entitled to a 1 per cent net smelter royalty.

While giving Chalice holders an ongoing exposure to the ground, the Canadian deal allows Chalice to focus on Pyramid Hill, where it is seeking historically fecund Bendigo Zone extends below Murray Basin sediments.

On July 8, the company said a 39,000m phase-one aircore drilling program had identified three "strike-extensive mineralised trends" for further

Broker Patersons reckon Chalice has "more than a fair chance of success" at Pyramid Hill, with the prospect (excuse the pun) of catching up with **Catalyst Metals (CYL)** and **Navarre Minerals (NML)**.

Valued at $170m, Catalyst is 14 per cent-owned by St Barbara and 11 per cent by Gina Rinehart's Hancock Prospecting.

Chalice has also acquired nickel prospects in WA's Kimberley region. Yes, the ground is remote and hasn't been worked, but isn't the best chance go where no one has looked?

Chalice's cash of $21.7m compares with a miserly market cap of $37m (14c a share). And don't forget the O3 shares were worth about $11m last ti

As with stories in New York, there are many ASX gold tales and these are just a few of them.

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