USA News Group News Commentary

LOS ANGELES, September 20, 2017 /PRNewswire/ --

Gold prices have stayed above the $1,300/oz threshold for nearly three weeks now, but the market appears to be still asleep at the wheel on gold miner stocks. Miners in focus today include: Bullfrog Gold Corp. (OTC: BFGC), Northern Vertex Mining Corp. (OTC: NHVCF) (TSX.V: NEE), Pershing Gold Corp. (NASDAQ: PGLC) (TSX:PGLC.TO), Corvus Gold (OTC: CORVF) (TSX: KOR.TO), Barrick Gold Corp. (NYSE: ABX) (TSX: ABX.TO)

Miners in the gold-laden deserts of Nevada are especially getting a raw deal from the market. The state is not only very prolific, but it is also safe, stable, and historically successful.

In 2015, Nevada produced 5,339,659 troy ounces of gold, worth approximately $6.194 billion, representing 78% of all US gold production, and 5.4% of the world's production.

So, it's a real headscratcher when you look at the deep discounts the market are giving to the state's gold ounces that are still in the ground. Nevada knows how to pull gold from the dirt.

BULLFROG CASE STUDY

The case of Bullfrog Gold Corp. (OTCQB: BFGC) is an intriguing one to say the least, as it has one of the lowest per-ounce valuations in recent memory.

As of September 12th, the price of gold is at $1,333/oz of gold, whereas Bullfrog has a market cap of $10.7 million.

According to the company's 43-101 resource estimate released back in mid-August, Bullfrog Gold's self-named Bullfrog Gold Project contains a total of 624,000 oz of gold.

This means the market is only assigning Bullfrog's gold resource a value of $17.15/oz.

That's a nearly 99% discount on the current price tag of $1,333/oz.

The message from the market on this resource is not only disjointed, but it's also borderline tragic, when compared to peers with similar resources, grades, and location.

PEER REVIEW

Is Bullfrog's under valuation the norm?

Well, one must look no further than a peer with similar grades and size of resource, but far more market respect for underground gold valuations.

Northern Vertex Mining Corp. (OTC: NHVCF) (TSX-V: NEE.V) currently has a market cap of $73.742M. Keeping in mind that the company is much closer to production on its 100%-owned Moss Mine than Bullfrog is on its flagship project, it's still quite relevant to observe the per-ounce valuation difference at its most blatant.

With its 377,000 ounces of gold, averaging 0.76 g/t gold (M3 Engineering 43-101 report, June 2015), Northern Vertex is currently receiving per-ounce valuation of $195.60.

That's a gap of more than 11x difference.

Northern Vertex isn't the only company with a glaring gap in value with Bullfrog.

Pershing Gold Corporation (NASDAQ: PGLC) (TSX: PGLC.TO) and its Relief Canyon received a resource estimate of 778,000 gold ounces. At an $82.37 million market cap, the underground resource gives Pershing a value of $105.87/oz of gold.

Or Corvus Gold Inc. (OTCQX: CORVF) (TSX: KOR.TO) and its 628,000 ounces of gold resource on its North Bullfrog Project. With a market cap of $59.92 million, Corvus is receiving a valuation of $95.41.

Only West Kirkland Mining with its market cap of $21.8 million and its Hasbrouck/3Hill project which has an estimated resource of 762,000 ounces (average grade of 0.58 g/t) come even close to the rough ride valuation of Bullfrog Gold is getting-West Kirkland's resource is only valued at $28.61/oz of gold.

WHAT'S GOING ON?

Bullfrog's continuing undervaluation remains strange, especially given the pedigree of their project.

The Bullfrog Gold Project already produced gold in the past, when Barrick Gold Corp (NYSE: ABX) (TSX: ABX.TO) produced gold until early 1999.

At the time that production stopped, gold was selling for more than $1000 less than it is now, with an average price in 1999 of $290 per ounce.

Barrick still saw the value in the project when it divested the parcel to Bullfrog and its President and CEO David Beling back in 2011.

Beling's familiarity with the project, his history of working on and near it in the 80s and early 90s gave him a leg-up on competing with other bidders. He ultimately won out, coming away with the former Barrick property on account of his strategic land positions adjacent to it.

Now Beling and Bullfrog have the commanding land and resource position in the entire Bullfrog Area.

Not only does it have the land, but it's swimming in precious data as well.

In total, the Barrick electronic and paper data bases include 157 miles of drilling in 1,298 close-spaced holes, and more than 2,500 pounds of documents.

Barrick really set the table for Bullfrog to succeed, passing along the mountains of data, and leaving in place much of the crucial infrastructure needed, which includes: Suitable access roads, pit ramps, main powerline and substation, paved state highway, beyond adequate water rights, and a nearby town less than 4 miles away with amenities and services.

Internally, Bullfrog Gold estimates the remaining mineral inventories around the Barrick Mines to be 470,000 ounces averaging 0.89 g/t.

Bullfrog believes it can readily and inexpensively upgrade these resource estimates upgraded into American and Canadian standard compliance.

So, looking back to the $17.15 per ounce valuation on the gold resource estimate already in play, it's obvious that something doesn't add up.

Historically, gold miners tend to be undervalued. What this means is that in a rising gold-price environment over the intermediate term, miners should move towards outperforming their historical leverage factors.

An easy example to show the detachment between where the market should be on miners, and where they already are with gold can be laid out as such:

Say a company can mine every ounce of its gold for a price of $900 per ounce, only to sell it later for $1,300 for a profit of $400. Now, suppose the price of gold rises to $1,500, and costs of production remain stable…

That same company is now making $600 per ounce in profit, for an increase of 50% in profitability. Contrast that with the initial rise in gold price, which was only 15% ($1,300 to $1,500).

It should be clear as day, that percentage-wise, the miner stands to gain more than that of the gold market as a whole.

Which begs the question: when will the market wake up to give Bullfrog Gold its due?

WINDOW OF OPPORTUNITY

Gold crossed the $1,300 threshold on August 25th, and has since climbed an additional 2.5% in price to today's $1,333 per ounce.

Bullfrog was trading at $0.07 per share when it released its 43-101 resource report, and as of September 12, is trading at $0.105 per share-That's a 50% increase in less than a month.

So the market is indeed waking up to Bullfrog's undervalued nature, and working to close the gap, albeit slowly.

Bullfrog currently presents that very rare opportunity, where it has a compliant resource, on known brownfield lands, with a strong leadership team, and a comparable peer group that's getting upwards of 11 times the love from the market.

It's only a matter of time before Bullfrog's secret stash of Nevada gold is discovered by a sleepy market coming out of its Summer slumber.

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