The cyclical resources market holds ample potential to ensure the savvy investor abundant returns, and if the timing of market pullbacks and expansions could be predicted, many more investors would be rich.

However, author of the Resource Opportunities newsletter, **Lawrence Roulston,** on Sunday, 26 January, 2014, told investors at the 2014 Vancouver Resource Investment Conference that there is potential for massive profits in the junior exploration sector in the coming months, if investors make the right investment choices.

He pointed to the performance of the TSX-V index over the last 12 years, noting that the majority of listed companies are junior miners, which act as a good proxy for what is going on in the industry. He said the TSX-V has tripled in the past 12 years, meaning that the average share price of each company has tripled.

“There’s huge potential for profit in this industry, yet the majority of investors lose money. It’s a no brainier that one enters the market at its low cycle and take profit at the high cycle – but, this is not as common knowledge as one might expect.

“At times when prices are down, investor sentiment tends to turn so negative that they don’t want anything to do with the resource industry, especially with juniors,” he said.

However, Roulston assured, the resource market will turn around. “The world uses more metals every year, even in times of depressed economic growth. The mining industry needs to build new mines to keep up with demand, and to replace resources already mined.

> “There’s a constant need for new mines. And the exploration development companies are the ones finding, evaluating and developing the new mines of tomorrow. The role of juniors is actually increasing in importance, as the majors cut back on exploration,” he stressed.

Roulston said the gain in value from an early stage in project development along the value curve could see the initial investment multiply by as much as 40 times as companies add value.

However, there are some companies with negative evaluations, trading for much less than the value of the cash in their banks, which goes to show just how out of flavor the early-stage explorers are.

MARKET BOTTOM

There’s growing evidence that the market has bottomed, he said.
Roulston pointed out that over the last year, there had been tremendous pressure on the TSX-V, and recently, evidence emerged that the trend had stabilized, and possibly even started to rebound.

“This is a good time to get into the market, albeit very selectively.
There are over 2 000 listed junior resource companies, some of which will generate good returns, and many more that will result in heartache. The good ones are already starting to mobilize,” he noted, pointing to gold major Goldcorp’s C$2.6-billion bid to buy out Quebec-based gold miner Osisko Mining last week, which had pushed Osisko’s share price higher, illustrating how undervalued the company’s shares were.

So too will there be many other offers from major and mid-sized companies, well above the current depressed prices in the coming months.

Roulston also said that US-based private equity is renowned for spotting bargains, and was indeed now mobilizing billions of dollars.

Sovereign wealth funds and other funds were also mobilizing. For example, Sprott Asset Management has received a mandate to invest $850-million in resources, and other funds are mobilizing $250-million.

> “That is smart money being directed at select junior growth companies. The key to success is to get in early, at the bottom of the market, along side the smart money,” he said.

JUNIOR INVESTMENT THEMES
Roulston named several junior Canadian firms that were experiencing share price growth over the last three months because of certain factors.

He said Altius Minerals Corp’s share price was on the rise after it started generating free cash flow from a royalty interest, and was lifted further after it last month said it would buy Canada's Sherritt International’s entire royalty portfolio and stake in coal development assets for C$481-million. Altius’ share price had risen by 50% over the last three months.

Investors also like near-term cash flow. Roulston pointed to Uranerz Energy as being within a few months of getting uranium production from its project in Wyoming. Because cash flow is within sight, investors were waking up and taking notice, lifting the share price 65% in the last three months.

Another theme for investors is to focus on companies that are takeover candidates. While it is impossible to know if and when a takeover offer would be forthcoming, indicators would include whether a company has a completed feasibility study for a sizeable project, in a good location and whether it is permitted.

He said junior Sunridge Gold was a likely takeover candidate for its Asmara copper/zinc/gold/silver project, in Eritrea, with several larger companies looking closely at the project. He also noted that MAG Silver had already rebuffed a takeover offer to gain control over its two attractive projects in Mexico, stressing that “somebody is going to buy it”

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Another junior investor theme is high-quality development-stage projects that had had a lot of work done on them, with at least a prefeasibility or feasibility study having been completed. He noted exploration and project development firm Sandspring Resources for the Toroparu project, located in Guyana; True Gold and its Karma gold project, in Burkina Faso; and Columbus Gold with its Paul Isnard gold project, also located in Guyana.

> "The way to make money in a cyclical market like this is to buy at the bottom of the cycle, which is now. You've got to go against popular wisdom, be a contrarian investor and move against the herd and get in while prices are low. Don't wait for the media to announce that the resource sector has recovered, because by then prices would already have moved five times higher," Roulston said.

He also advised investors not to speculate on commodity prices.
"That was a major mistake that many investors made in the last run-up of the metal prices. People thought the price is going to continue to rise forever, when in fact it will be volatile. Look first at the company, and then at the commodity price."

Lawrence Roulston,, is a geologist, with engineering and business training, and more than 25 years of hands-on experience in the resource industry. Lawrence is ideally suited to publish Resource Opportunities.
After completing his studies at the University of British Columbia in 1975,

Mr. Roulston worked as an analyst for Cominco Ltd. and for a mid-sized Calgary oil group for several years. In 1984 he became the CFO for a group of mineral exploration companies. He was also vice-president in an investment management firm focused on the resource industry.

From 1994 to 1997, he was CEO and director of a mineral exploration company. Since then, he has been a resource industry consultant and independent mining analyst. Mr. Roulston's years of hands-on experience and extensive personal contacts in the industry provide unique insights that have generated an impressive track record for Resource Opportunities.

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