



The Warrant Report

We're Back and Catching Up!! Three Exciting Situations Below

By Dudley Pierce Baker

The date on this Warrant Report more accurately is for **May – Sep, 2014**.

We have been working diligently to achieve the integration of Quotemedia, Inc. information into our warrant database and we have now accomplished this mission. This has unfortunately kept us from staying current with The Warrant Report but it has been well worth it for us and hopefully for you as our readers.

But first, let's bring you up to date on where we see gold and silver going.

In our March issue of The Warrant Report we stated, "...Actually now, gold (and somewhat silver) are short-term overbought and a reasonable pullback, possibly down to the \$1270 and \$20.50 range should not be unexpected..."

Gold did make it down to \$1276 and silver to around the \$19.70 range.

Gold has subsequently bounced back up and closed on Friday, April 4th at \$1302.30 and silver at \$19.96. It seems reasonable that gold and silver may well have put in lows for this correction and therefore, we have personally

Recently Added Warrants:

- **Genco Shipping**
- **Hudbay Minerals**
- **Rare Quest Minerals**
- **Dragonwave**

Warrants Expiring Soon!!

- **Cytori Therap - 13 Sep**
- **Kinross Gold - 17 Sep**
- **Resolute Eng - 25 Sep**
- **Petroamerica - 8 Oct**
- **Vista Gold - 22 Oct**
- **Retail Opp - 23 Oct**
- **Mega Uranium - 26 Oct**
- **Kerr Mines - 31 Oct**
- **Pilot Gold - 31 Oct**

turned very bullish and have been buying shares and warrants in selected companies over the last couple of days....”

As reported above, since our last Warrant Report in April, very little has happened as gold has bounced from the \$1270s to the \$1330s and we are now sitting as we write at \$1287.20. The summer doldrums have been just that, boring, boring, and more boring. However, we see this changing soon as we are looking for substantially higher prices for gold and silver before years end.

The chart below reflects on a Weekly basis exactly where we are and the possibility of an upside breakout soon. You may recall The Aden Forecast has for many years used the 65 Week Moving Average to establish the long-term trend in gold. As you can see below we are still below the 65-week M.A. that is currently at 1300.46 but we are flirting with crossing to the upside at which time the 65-week M.A. will become our support zone as we rally.



The coming rally, according to some analysts we follow, will take us into late 2016 and to prices of possibly \$5000 for gold. While this may seem like a fantasy land scenario, this is what we all long to see; a rip roaring bull market taking place in the resource sector in which gains of 1,000% will seem like child’s play and as our friend Rick Rule says, “you have stayed for the pain, now stay for the gains...”

Our current advice for interested resource investors to be as fully invested as you wish in quality common shares and/or the long-term warrants of those respective companies in preparation for the coming rally.

Current Warrant Database

For those readers unfamiliar with the details of our warrant database, we now have all stock warrants trading in the U.S. and Canada AND stock warrants trading in all industries and sectors. Believe me, there are many great opportunities for all investors, from resources to autos, banks, restaurants, bio-techs, etc. If you have previously only focused on the warrants trading on resource companies this may be the time for you to consider diversifying your portfolio to include other stock warrants trading.

All stock warrants are now in one database, completely sortable by you. Sorting can be done on company name, symbols, expiry dates, volume, market capitalization and more. All the financial information necessary for you to make the decision as to which, if any, stock warrants you would like to purchase.

When you click on the Symbol for any warrant you now see current quotes (delayed), along with the ability to see charts, company information and financials, insider trading and much more.

Another feature we recently activated is a [Trial Subscription](#) giving those interested, a one-time opportunity to get started with Common Stock Warrants for as low as \$1 for a 7-day access after which regular billing immediately begins. If you cancel, you must do so before day 7 to avoid being charged by our credit card/PayPal vendors.

Listen to [Dudley's Recording for August 28, 2014](#), normally available only for our Gold and Lifetime subscribers.

Other Tasks Completed

Since last reporting to you we have accomplished the following:

- Joined forces with Casey Research as affiliate partners
- Joined forces with John Mauldin as affiliate partners
- Launched another website, <http://MarijuanaSpeculator.com>

Marijuana Speculator provides investors access to all of the 240 plus companies trading in the marijuana/cannabis space along with all charts, quotes, news, financial information, insider trading, etc., provided by Quotemedia, Inc. For those investors interested in this investment sector, we encourage you to join us now with our [great introductory pricing](#).

Our Companies Via Social Media

We encourage you to follow our companies on social media with the links below. We frequently post articles on our websites that are automatically placed on our Facebook and Twitter feeds.

Websites	<u>Facebook</u>	<u>Twitter</u>
<u>Common Stock Warrants</u>	<u>CommonStockWarrants</u>	<u>stockwarrants</u>
<u>Junior Mining News</u>	<u>JuniorMiningNews</u>	<u>jrminingnews</u>
<u>Junior Mining Analyst</u>	<u>JuniorMiningAnalyst</u>	<u>jrmininganalyst</u>
<u>Marijuana Speculator</u>	<u>MarijuanaSpeculator</u>	<u>investmarijuana</u>

This month we are showcasing three (3) companies with stock warrants but remember we are not recommending purchase of the shares or warrants but rather presenting this information to show the potential benefits of investing in stock warrants. We are not financial advisors and you are encouraged to perform your own analysis and/or seek the advice of your investment advisors.

These examples show the relevance of stock warrants and why you and all investors should be involved with this exciting investment vehicle.

- Amaya Gaming
- Kinder Morgan
- Sunridge Gold



Amaya Gaming (T:AMA) and T.AMA.wt.A)



I am kicking myself for missing this opportunity that was right in front of us.

[Amaya Gaming](#) (remember folks, we now cover all stock warrants trading, not just the resource warrants). Amaya Gaming has been an incredible performer over the last several months (April – August).

This gaming company has exploded on the scene in a short few months with growth and visibility on the world stage. We will not go into the particulars as, in our opinion, it is way too late to purchase the common shares or their stock warrants but we will let the market performance of the shares and the warrants speak for themselves and they provide a great example of why all investors should have an open mind to adding selected stock warrants to their portfolio.

In April 2014, the shares could have been bought for \$6.00; currently they trade at approximately \$29.50

There are actually two warrants trading on AMA but we are only showcasing the Warrant A that has the more spectacular gains.

The warrant A gives the holder the right to buy one share of AMA at a price of \$6.25 until 31 January 2016.

Investors could have been bought the warrant A for \$1.50 and it currently trades for about \$23.00.

Remember with stock warrants it is all about achieving greater gains and leverage than by buying the common shares.

The gain on the common shares was great going from \$6.00 to \$29.50 for a return of 392%. But the warrant A outperformed going from \$1.50 to \$23.00 for a return of 1,433%.

Thus the additional leverage is calculated as:
 $1433\% \text{ divided by } 392\% = \mathbf{3.65 \text{ Leverage}}$

In our analysis and ratings of warrants we are looking for stock warrants which will generate a leverage of approximately 2 to 1 over the common shares.

Perhaps some of our subscribers bought these warrants and captured some fabulous gains, unfortunately, I did not.

Current opinion:

While I did not buy these warrants, if I had, I would be selling them now. The big gains have been made. However each investor needs to make their own decision and/or consult with their financial advisors.



Kinder Morgan (NYSE, KMI and KMI.ws)



[Kinder Morgan](#) presents an interesting situation to investors looking to invest in the energy space. KMI's network of oil and gas pipelines along with the fact they have recently announced the acquisition of El Paso Pipeline Partners which no doubt will improve their bottom line.

Subscribers know (or should know) from having access to the warrant database that KMI has a long-term warrant trading on the NYSE and that it also has great liquidity, normally trading over 400,000 warrants a day.

The common shares trade on the NYSE and closed at \$40.26 on Friday, August 29, 2014.

The warrants, closed at \$3.91 and the stock warrants give the holder the right to purchase the common shares for \$40.00 until 25 May 2017 thus about 2 ½ years of remaining life.

So let's assume you are interested in buying shares in Kinder Morgan buy not instead purchase the long-term warrants? Let us show you why you should only buy the warrant.

You Decide Your Target Price for KMI

Perhaps you decide the common shares have the potential to trade up to \$60 before 25 May 2017 a share at which time you would be a seller and capture a gain of approximately \$20 a share and a **return of 50%**, not bad, but wait.

The KMI warrant would be selling for a minimum of \$20.00 (\$60.00 less exercise price of \$40.00). If you decided to sell the warrants you would have a gain of \$17.01 and a **return of 335%**.

Did you get that?

With the warrants you just made a return of 335% versus a return on the common shares of 50% and a leverage folks of 6.7 times over the common shares, (335% divided by 50%)

But let's consider something else.

How much money do you want to invest in this transaction?

Say you want to buy 1,000 shares of KMI common that would cost you \$40,000.

You can basically control the same amount of shares and make the same amount of money by simply buying 1,000 warrants in KMI for \$3,910. Thus less than 10% of the capital outlay for the same gain, what a deal.

Of course, you might wish to consider buying 2,000 warrants, or more and that would be your choice.

Another thing to consider would be if the common shares of KMI decline in value before 25 May 2017.

Say you purchased 1,000 common shares for \$40,000 and KMI declines to \$30 a share and you have an unrealized loss of \$10,000.

If you had purchased the 1,000 warrants at \$3,910 you only have \$3,910 at risk and the warrants may still have some value if there is some time remaining before expiry.

What did you just learn?

Stock warrants can greatly increase your gains but stock warrants can also reduce your potential losses in the event the common shares do not perform up to your expectations.



Sunridge Gold (TSXV - SGC and SGC.wt)



Sunridge Gold is an interesting story and in full disclosure, we own the warrants in our portfolio.

Sunridge Gold has been exploring for VMS base and precious metal deposits in Eritrea since 2003 and has successfully defined 6 deposits on the Asmara Project located outside of Asmara, which contain significant amounts of copper, zinc, gold, and silver.

A Feasibility Study on the 4 advanced projects on the Asmara Project was completed in May 2013. The Feasibility Study demonstrates very

robust economics, with the Net Present Value (NPV) of the project was shown to be \$692 million dollars with a 10% discount applied (\$1.791 Billion NPV with zero discount) and the Internal rate of return (IRR) is 34%.

There are at least two newsletters covering the Sunridge Gold story and recommending their shares. Both names are well known to resource investors:

Brien Lundin, editor of Gold Newsletter
Lawrence Roulston, editor of Resource Opportunities

Remember when considering the purchase of stocks warrants, an investor must have a vision/expectation of not only what the markets will do but will the company be able to execution on its business plan.

Being bullish on the resource sector is a must in this case and that is why we have purchased the

warrants. Following the advice of Lawrence and Brien gives us more confidence as well as to the potential future performance and value of the company.

The common shares of SGC closed on Friday, August 29th at C\$0.185 and the warrants closed at C\$0.045.

Each warrant entitles the holder to purchase one common share at a price of C\$0.35 until 17 October 2017.

With over three years of remaining life in the warrants and the anticipation of a bull market in the resource sector as well as further improvement by the company on its business plan, we feel this warrant represents good value, say at C\$0.06 or below.

Now based upon nothing more than my anticipation of a rip roaring bull market assume the common shares of SGC could achieve a price of \$0.60 before 17 October 2017, then we would have the warrants trading at a minimum of \$0.25 (C\$0.60 less C\$0.35)

Thus the common shares would have returned a gain of C\$0.415 for a return of 224%.

The stock warrants, SGC.wt would have returned a gain of C\$0.205 and a return of 455%.

Once again as in the previous examples, the stock warrants would be greatly outperforming

the common shares with the warrants reflecting a leverage of 2 to 1 over the common.

As well don't forget the downside for if you were thinking of buying 100,000 common shares at C\$0.185 for a total of \$18,500, you could control the same number of shares by purchasing 100,000 warrants at a price of C\$0.045 for only \$4,500. You have now limited your downside exposure but still possess the great upside leverage which the warrants can provide.

We hope these examples give you more insight into the opportunities with stock warrants and in some cases, limiting your loss using warrants instead of buying the common shares also works to the advantage of investors by saving you money.

Until next month,

Dudley Pierce Baker

Founder-Editor

<http://CommonStockWarrants.com>

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