



Digging For Small Cap Gold? Follow Agnico-Eagle's Lead

Description

Gold stocks have taken a beating thus far in 2013. This is no secret, but just to drive it home, the TSX Gold sub-index has declined by 32% year-to-date.

Some investors might approach this decline with great trepidation and stay away. Others, like yours truly, see such drops as a potential opportunity.

Should gold regain its shine at some point, this sector will have huge returns throughout. Today's pain could turn into tomorrow's gain.

Picking potential winners

One of the problems that most investors have with the gold space, and resources in general, is that there are a pile of companies all doing the same thing and telling mostly the same story. How can we possibly differentiate?

Well, one way is to follow the lead of a respected industry player. A person or company that knows the business and has a demonstrated track record of success.

Enter **Agnico-Eagle** (TSX:AEM,NYSE:AEM).

Agnico has not been spared by the carnage that has occurred as its stock has declined 38% year-to-date. However, Agnico entered the current downturn with a competitive advantage – a reasonably strong balance sheet. With a debt/equity ratio of just 0.23 and \$295 million of cash at the end of the last reported quarter, Agnico was in a position to bolster its business. Where many are in a defensive mode, Agnico is playing offense.

Since March the company has been on a shopping spree of sorts, extending its reach into the industry's junior ranks. A total of 5 deals have been made, resulting in a partial ownership stake in 4 entities and the complete buyout of another. Several details pertaining to each of the 4 companies that Agnico partially bought into are tabled below.

Company Name	Market Cap	Agnico's Stake	Project Location
Sulliden Gold (TSX:SUE)	\$281.5M	15.8%	South America
Atac Resources (TSXV:ATC)	\$112.9M	8.5%	Yukon
Probe Mines (TSXV:PRB)	\$107.6M	9.9%	Ontario
Kootenay Silver (TSXV:KTN)	\$54.6M	10.0%	Mexico

Foolish Takeaway

For any of these names, Agnico's presence only promises that there is a deep pocketed big brother standing by should financing become a stumbling block, which it tends to be. Each company still has to go through the rather arduous process of getting a mine up and running, a big task with plenty of risk to say the least. However, if you're prone to poking through the rubble that is Canada's junior mining space, why not start your search by taking a ride on the shoulders of one of the industry's most respected participants.

Agnico is clearly bullish on the long term prospects of gold. Another resource that has a future every bit as bright as the one Agnico envisions for gold is uranium. [Click here now](#) and download our **FREE** report "**Fuel Your Portfolio With This Energetic Commodity**" to see why we think uranium could be the fuel of the 21st century. We think you'll be surprised at the tremendous opportunity that exists, just how far two Canadian names have fallen, AND **how fast** they could rebound. [Click here](#) to access this free report, and hop on for the nuclear ride of your life!

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Fool contributor Iain Butler does not own shares of any of the companies mentioned at this time. The Motley Fool doesn't own shares in any of the companies mentioned.

CATEGORY

- Investing

TICKERS GLOBAL

- NYSE:AEM (Agnico Eagle Mines Limited)
- TSX:AEM (Agnico Eagle Mines Limited)
- TSXV:ATC (Atac Resources)
- TSXV:PRB (Probe Gold)

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Date

2025/07/23

Date Created

2013/05/31

Author

tmfohcanada

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