



Should You Buy Kinross Gold Corporation or Yamana Gold Inc.?

Description

Kinross Gold Corporation ([TSX:K](#))([NYSE:KGC](#)) and **Yamana Gold Inc.** ([TSX:YRI](#))([NYSE:AUY](#)) are trending higher as gold finds some support driven by political turmoil in Greece.

The gold sector has been ripped to pieces in the past couple of years but new investors are hoping the bottom is finally in for the miners, and many are wondering which gold stocks offers the best upside potential.

Let's take a look at both Kinross and Yamana to see if one is a better pick right now.

Kinross Gold

Kinross has a nasty five-year chart. The stock is down 80% since early 2010 and most investors have completely given up on the company and its management.

However, Kinross is slowly cleaning up its balance sheet after taking massive write-downs on the assets it acquired as part of the \$7.1 billion purchase of Red Back mining in 2010.

Red Back's Tasiast property in Mauritania was supposed to be the new crown jewel in Kinross' portfolio. Instead, the company has taken charges that add up to roughly 80% of the Red Back deal and Tasiast still hasn't panned out as expected.

There might finally be some light at the end of the tunnel. Kinross' stock is up more than 60% in the past two months. A rebound in gold prices is the main driver, but the rise is also due to encouraging earnings that came in for the third quarter of 2014.

Kinross reported Q3 2014 adjusted earnings of \$70 million, a 29% increase over Q3 2013. The numbers were solid considering the company's average realized gold price dropped nearly 5% to \$1,268 per ounce.

Kinross is doing a good job of improving operating efficiencies at its mines. All-in sustaining costs dropped 15% to \$919 per ounce in the third quarter and the company lowered its guidance for year-

end capital expenditures.

Kinross' strengthening balance sheet could be the most important indication that the company has turned the corner. For the first nine months of 2014, Kinross added \$100 million in cash. The company finished Q3 2014 with a respectable cash and cash equivalents stash of \$835.9 million.

Yamana Gold

Investors have watched Yamana's stock drop from \$20 per share in late 2012 to below \$4 in early November 2014, as the company struggled with low gold prices and operational headaches at a number of its mines.

Yamana is taking steps to focus on its best properties as the gold market appears to be stabilizing. The company is placing its non-core assets in a separate subsidiary company called Brio Gold. The spin-off will operate independently with a view to selling the unit unit when market conditions improve.

Yamana's production hit a record 391,000 gold equivalent ounces in Q3 2014, representing a year-over-year increase of 27%. All-in sustaining cash costs were \$807 per gold equivalent ounce in the quarter, a 7% year-over-year improvement.

Yamana also made an important acquisition in 2014 that should bode well in the long term. In a joint effort with **Agnico Eagle Mines Ltd.**, Yamana bought Osisko Mining, which owned the coveted Canadian Malartic mine.

Yamana's shares have increased more than 30% in the past two months.

Which should you buy?

If gold prices move higher through 2015, both Kinross and Yamana will continue to surge. Yamana has a lower production cost per ounce, but Kinross is further ahead in the process of repairing the balance sheet. At this point, I would probably pick Kinross.

If contrarian opportunities appeal to you, check out the following free report about two other Canadian stocks that are setting up for a big run.

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