



Speculation Special: 2 Mining Stocks Under \$5 You Could Buy Today

Description

Many investors think that stocks trading under \$5 are bargains, but this is not the case by any means. Generally, a stock falls below the \$5 level because of a weak financial performance by the company, because it has issued too many of its shares, or because of accounting or legal issues.

One way to find a true bargain is to look for companies that remain profitable and whose stocks trade at inexpensive valuations compared with their industry averages. I have searched the market and found two mining stocks that fit these criteria perfectly, so let's take a closer look at each companies' first-quarter earnings results, their stocks' valuations, and some projected returns to determine if you should consider speculating on one of them today.

1. OceanaGold Corporation

(All figures are in U.S. dollars)

OceanaGold Corporation ([TSX:OGC](#)) is one of the largest producers of gold and copper in New Zealand, the Philippines, El Salvador, and Australia.

In the first quarter of fiscal 2015, its net income decreased 58.5% to \$24.47 million, its diluted earnings per share decreased 57.9% to \$0.08, and its revenue decreased 24.1% to \$129.31 million compared with the year-ago period. These results are far from impressive, but the company remained profitable, which is the primary factor we are looking for.

At today's levels, OceanaGold's stock trades at 15.6 times fiscal 2015's and 2016's estimated earnings per share of \$0.19, which is inexpensive compared with the industry average price-to-earnings multiple of 20.2 and its five-year average multiple of 42.3.

I think the company's stock could consistently command a fair multiple of at least 20, which would place its shares around \$3.80 by the conclusion of fiscal 2016, representing upside of more than 28% from current levels.

2. Klondex Mines Ltd.

Klondex Mines Ltd. (TSX:KDX) is one of the leading producers of gold and silver in Nevada, U.S.A.

In the first quarter of fiscal 2015, it reported a net profit of \$10.06 million, or \$0.08 per share, compared to a net loss of \$2.41 million, or \$0.02 per share, in the year-ago period, as its revenue increased 1,698.7% to \$47.25 million.

At current levels, Klondex's stock trades at 13.6 times fiscal 2015's estimated earnings per share of \$0.24 and 9.9 times fiscal 2016's estimated earnings per share of \$0.33, both of which are inexpensive compared with the industry average price-to-earnings multiple of 20.2.

I think the company's stock could consistently trade at a fair multiple of at least 20, which would place its shares around \$4.80 by the conclusion of fiscal 2015 and around \$6.60 by the conclusion of fiscal 2016, representing upside of more than 47.2% and 102.5%, respectively, from today's levels.

Should you speculate on one of these miners today?

OceanaGold and Klondex Mines are two of the most attractive mining stocks trading under \$5 in the market today. Foolish investors seeking a speculative investment should take a closer look and consider beginning to scale in to positions in one of them.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. TSX:OGC (OceanaGold Corporation)

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Date

2025/08/25

Date Created

2015/07/17

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