



Revealed: These 3 Gold Stocks Have Massive Upside Potential

Description

There's no arguing about it: gold is a depressed asset in 2017.

Traditionally, the yellow metal has been a safe-haven investment. Investors would scurry into the asset class when the rest of the market looked rocky. But after eight years of virtually uninterrupted bull markets, investors are feeling good. Nobody is worried about the future.

Then there's the rise of Bitcoin and other cryptocurrencies. Bitcoin has been on fire in the last year, surging nearly 300% when measured in value versus the Canadian dollar. Bitcoin, like gold, is attractive to investors because the supply is limited. But what happens if investors lose confidence in it?

Now could a great time to buy gold. Nobody likes it. This will likely change in a big way during our next crisis. Besides, many of Canada's top gold producers have done a nice job cutting costs in a tough environment. They're positioned to thrive in the next bull market.

Here are three of Canada's top gold producers, each with tremendous upside potential once the price of the commodity cooperates.

Guyana Goldfields

Guyana Goldfields Inc. (TSX:GUY), unsurprisingly, is focused on developing gold deposits in the country of Guyana, South America. The good news about Guyana is, the country is the only one in South America that primarily speaks English. The bad news? An intense political rivalry between the nation's two main political parties has led to instability, and corruption continues to be a major issue.

There's a simple reason to mine for gold in Guyana: there's a lot there. According to Guyana Gold's most recent investor presentation, it has the second-largest pool of reserves versus its peers. It's also a low-cost place to do business; the company reported an all-in sustaining cost of US\$738 per ounce of gold mined in 2016 with potential for that to drop as production ramps up.

Alamos Gold

Alamos Gold Inc ([TSX:AGI](#))([NYSE:AGI](#)) has diversified mining operations across North America, including the Young-Davidson mine in Ontario and the Mulatos and El Chanate mines in Mexico. The company also has exploration and development projects in Mexico, Turkey, the United States, and Canada.

Recent results have been solid. The company produced 96,200 ounces of gold in its most recent quarter at an all-in sustaining cost of just over US\$1,000 per ounce. Management reaffirmed its guidance for the year, which called for production between 400,000 and 430,000 with all-in sustaining costs falling to US\$940 per ounce.

Another thing that sticks out about Alamos is the company's balance sheet. The company has US\$156 million worth of cash with zero debt. It also has US\$150 million in an undrawn credit facility. This liquidity will come in handy when it starts developing its next projects, which are three mines in Turkey. Two of these new mines have a projected all-in sustaining cost of under US\$400 per ounce.

Kirkland Lake Gold

Kirkland Lake Gold Ltd (TSX:KLG) has been expanding over the last few years, including via acquisition. It now has production from seven different mines in Australia and Canada.

Last year was a good year. The company reported record revenue of more than US\$400 million as well as US\$180 million in operating cash flow. It has a strong cash position of US\$280 million and very little debt. In addition, it also delivered all-in sustaining costs of US\$923 per ounce, well below guidance of between US\$1,000 and US\$1,050 per ounce. The company also recently began paying a small \$0.01-per-share quarterly dividend.

Kirkland Lake shares are far cheaper than peers on a price-to-cash flow and enterprise value to ounce of 2017 production metrics as well.

The bottom line

Each of these mining stocks has massive operating leverage. If the price of gold creeps up a mere \$100 per ounce, the impact on earnings will be significant. If you think gold has that kind of potential, the time to act is today.

CATEGORY

1. Investing
2. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:AGI (Alamos Gold Inc.)
2. TSX:AGI (Alamos Gold Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Date

2025/07/02

Date Created

2017/05/12

Author

nelsonpsmith

default watermark

default watermark