



1 Gold Stock Under \$5 That Is Set to Soar

Description

I have been bullish on the outlook for gold for some time, and one of my top picks to cash in on higher gold is miner **Eldorado Gold Corp.** ([TSX:ELD](#))([NYSE:EGO](#)). It failed to enjoy a rally of the same magnitude of many of its peers because of concerns over the performance of its operations. These included the divestment of its Chinese assets and the risks associated with its renewed focus on Europe.

There are signs that the company will unlock considerable value for investors, which will cause its stock to appreciate.

Now what?

A key concern was the sharp decline in Eldorado's gold production. This occurred because of declining ore grades and the miner's decision to sell its assets in China, netting US\$882 million. While first-quarter 2017 production from continuing operations declined further by 6% year over year, the proceeds from those asset sales have been used to expand its operations in Greece and Turkey.

Importantly, for the first quarter, there was an improvement in ore grades which was part of the reason all-in sustaining costs (AISCs) fell by 11% year over year to US\$791 per ounce.

You see, the higher the grade of the ore, the more cost effective it is to extract the metal, leading to lower costs.

Those AISCs are quite low in comparison to many of its peers, indicating just how profitable Eldorado's operations are, particularly in an environment where gold is rising in value.

First-quarter AISCs were also lower than the US\$845-875 per ounce forecast by Eldorado as part of its 2017 guidance, indicating that Eldorado will easily meet its 2017 budget. It also expects its AISCs to fall even lower to US\$650 per ounce by 2020, which would make it one of the lowest-cost miners in the industry. That bodes well for a significant lift in profitability, even if the price of gold weakens.

Eldorado also possesses solid growth potential.

It has a range of projects under development which will boost production and ore grades at its flagship Kişladağ mine in Turkey.

Eldorado has also invested heavily in the Olympias and Skouries assets in Greece.

The Olympias mine is expected to come online during 2017 with initial production of up to 140,000 ounces annually, while the Skouries mine is forecast to commence operations in 2019. The Skouries mine will be a combined underground and open pit operation which is projected to produce up to 1.4 million ounces of gold and 620 million pounds of copper during its first nine years of operation.

Both of those projects, along with growing production from the Kişladağ mine and lower expenses, will give Eldorado's earnings a significant lift, which should cause its stock to appreciate significantly.

Importantly, for a gold miner in the midst of developing a number of substantial projects, Eldorado has a solid balance sheet, ending the first quarter with US\$1.1 billion in liquidity and US\$592 million in debt.

So what?

No significant business transformation is completed without risk. In the case of Eldorado, the risk associated with its decision to sell its operations in China and focus on the relatively high-risk jurisdictions of Turkey and Greece were substantial. That's why it didn't enjoy the same rally that boosted the value of other miners.

Nonetheless, with much of that transformation now complete, Eldorado's future appears particularly bright. Not only does it own a portfolio of quality gold mining assets, but it is positioned to become one of the lowest-cost producers in its industry. For these reasons, its share price should soar, especially in an environment where gold is rising in value.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:EGO (Eldorado Gold Corporation)
2. TSX:ELD (Eldorado Gold Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date

2025/08/01

Date Created

2017/06/09

Author

mattdsmith

default watermark

default watermark