



Gold Is Surging: Time to Buy Detour Gold Corporation

Description

Gold has broken through the psychologically important US\$1,300-per-ounce mark and is hovering around its highest price since November 2016. There are signs that higher gold prices are here to stay.

Heightened geopolitical tensions in northeast Asia, fears that Trump will be unable to successfully implement his pro-business policies, and signs that the Fed is toning down its hawkish stance on the economy are all working to bolster the value of the lustrous yellow metal. This is good news for gold miners and will be boon for intermediate miner **Detour Gold Corporation** (TSX:DGC), which, after falling by 41% over the last year, is attractively valued.

Now what?

Detour Gold, which owns and operates the open-pit Detour Lake mine in northern Ontario, announced some solid second-quarter 2017 results, highlighting the considerable potential the miner possesses. Gold production for the quarter grew by almost 8% year over year to a record 150,000 ounces. That impressive performance can be attributed to higher volumes of ore milled, an increased recovery rate, and a superior ore grade compared to a year earlier.

However, on a negative note, all-in sustaining costs (AISCs), which reflect the cost of maintaining existing production levels, rose by 9% compared to a year earlier to US\$1,123 per ounce. This was primarily because Detour Gold boosted its investment in its operations to grow its gold output. In an environment where gold is rising, it is a prudent move, because it will allow the miner to fully profit from those higher prices.

Despite the increase in expenses, second-quarter adjusted net income grew more than seven-fold compared to a year earlier to US\$0.15 per share. This was also 15 times greater than the US\$0.01 per share reported for the third quarter 2016, when Detour Gold received an average price per ounce of gold sold that was 2% higher than the latest quarter. This indicates that Detour Gold's earnings will grow substantially over the remainder of 2017.

The solid lift in profitability can be attributed to Detour Gold focusing on boosting production and reducing direct production costs, which were down by 4% year over year for the second quarter 2017.

Detour Gold also has an exploration program in place and is pursuing further opportunities at its flagship Detour Lake property. These include drilling at zone 58N, which lies to the south of existing operations. So far, those activities have identified ore grades in various gold intercepts ranging from 12 grams of gold per tonne of ore to as high as 48 grams. This indicates that there is tremendous potential for an underground gold mine to be developed at this location. The miner remains committed to exploring that zone and determining if such a mine is commercially feasible.

So what?

The recent pullback in Detour Gold's stock coupled with higher gold prices and the miner's focus on growing production make it a compelling addition to any portfolio and one of the most attractive means of obtaining exposure to gold. This is especially the case when it is considered that Detour Gold expects gold recovery to improve over the remainder of 2017, which, when combined with the planned expansion of the volume of ore to be mined, should give production, and hence earnings, a healthy bump.

CATEGORY

1. Investing
2. Metals and Mining Stocks

POST TAG

1. Editor's Choice

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing
2. Metals and Mining Stocks

Tags

1. Editor's Choice

Date

2025/07/30

Date Created

2017/09/01

Author

mattdsmith

default watermark