



2 Gold Stocks Worthy of a 2nd Look

Description

For as long as we've been extracting gold out of the ground, the precious metal has been used as a store of wealth that has, with few exceptions, increased in value over time.

One of those more recent exceptions was the period between 2011 and 2015, when gold prices dropped from nearly US\$1,900 to sub-US\$1,100 per ounce, forcing miners to seriously consider cutting costs and focus on the most profitable ventures.

Specifically, the substantial drop in price put spiraling debt levels into focus and highlighted the very cost inefficient operational structures that were commonplace at the time. If anything, the work that was done to rein in costs during that four-year period has helped boost margins and make several gold miners incredibly profitable now that prices have recovered and are steadily appreciating again.

Here's a look at two of those miners that are worthy of consideration.

Yamana Gold Inc. ([TSX:YRI](#))([NYSE:AUY](#)) is an interesting miner that is often overlooked by investors owing to its smaller size in comparison to more established miners.

Year to date, Yamana's stock price has dropped nearly 5%, and that drop can be attributed to updated guidance levels from the company for the rest of the year from Yamana's Cerro Moro mine in Argentina.

Cerro Moro is the mine that Yamana is likely to see the most growth from over the next few years, so any forecast updates from that mine are going to be met with investor scrutiny. The most recent guidance update from Cerro Moro calls for an additional 5,000 ounces of gold to be produced this year but a significant decrease in silver production this year of 750,000 ounces.

2019 forecasts for Cerro Moro call for 125,000 ounces of gold and 6,000,000 ounces of silver — both considerably higher than the 85,000 ounces of gold and 3,750,000 ounces of silver forecasted for this year.

Potential investors contemplating Yamana should focus on that long-term growth and less on any

current short-term issues, as Cerro Moro is set to be the lowest-costing facility with all-in-sustaining costs likely to fall into an industry-leading US\$650 per ounce over the next few years.

Barrick Gold Corp. ([TSX:ABX](#))(NYSE:ABX) is the largest gold producer on the market with a well-known and often-mentioned portfolio of mines with operations in 10 countries on five continents.

The real opportunity to come from investing in Barrick, however, stems from the company's rapidly decreasing debt load, which coincides with strong production forecasts and an improving precious metals market.

When the price of gold soared to near US\$1,900 per ounce in 2011, gold producers like Barrick were left holding an incredible amount debt that was becoming increasingly difficult to pay off, considering the price of gold was dropping and operational costs were significantly higher.

In the years following the collapse in gold prices, Barrick began an aggressive debt-reduction program to target its US\$13 billion debt mountain, and to say that the program was a success would be an understatement.

What followed were an impressive past four years where Barrick paid down over US\$6 billion in debt, leaving the company with just US\$5 billion is on target to be reached by the end of the current fiscal year.

A lower debt load translates into lower costs, increased free cash flow, and when coupled with steadily increasing gold prices and favourable production guidance for the rest of the year of 4.5-5 million ounces of gold, a [long-term opportunity](#) for growth-seeking investors emerges.

Finally, while both Barrick and Yamana do offer investors a dividend, the paltry 0.92% yield from Barrick and 0.66% yield from Yamana are more of a rounding error than a means to a steady income. Income-seeking investors are better left seeking one of the many [great top dividend stocks](#) available on the market.

CATEGORY

1. Investing
2. Metals and Mining Stocks

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