



This Gold Stock Can More Than Double Your Money

Description

Premier Gold Mines (TSX:PG) stock appreciated as much as almost 18% on Friday, and by the end of the trading day, it appreciated more than 10%.

As a small-cap gold-focused company with a market cap of about \$315 million, Premier Gold Mines stock is more sensitive to news about its exploration. Last Thursday, the company gave an update on the progress of two new mine development projects at the South Arturo property, which might have triggered the stock to move meaningfully higher last Friday.



A business overview

Premier Gold Mines is a mineral exploration company that's focused on exploring and developing gold deposits in North America. It has projects in safe-mining jurisdictions in Canada, the United States, and Mexico.

Several of Premier Gold Mines's projects are partnered with larger gold producers, including the South Arturo deposit in Nevada, of which it has a 40% interest and **Barrick Gold** has a 60% interest, the Greenstone Gold property in Ontario, of which it has a 50% interest and **Centerra Gold** owns the other

half, and the Rahill-Bonanza property in Ontario, of which it has a 44% interest and **Goldcorp** has a 56% interest.

To sum it up, Premier Gold Mines has interests in two operating mines and interests in four projects that are in advanced stages.

A clean balance sheet

In the last reported quarter, Premier Gold Mines's balance sheet looked strong. First, it had cash and cash equivalents of US\$56.4 million. Second, it had a strong current ratio (calculated from current assets divided by current liabilities) of 2.72. Third, the company had no long-term debt.

However, its outstanding shares have almost tripled since 2008. This isn't surprising, as the company is still in its early stages of growth.

Investor takeaway

Thomson Reuters has a mean 12-month target of \$3.91 per share on Premier Gold Mines, representing 150% near-term upside potential from \$1.56 per share as of writing. Notably, Premier Gold Mines's recent net margin was -10.5%, which means it's still not profitable. Insider ownership is about 3.1%, which isn't a lot.

So, at best, the stock is a speculative play that could more than double in the near term should gold prices rise significantly or if its gold production levels increase meaningfully and it's able to keep production costs low.

There are [other investments](#) that can double your money in the near term. However, downside risks and the risk of the stock staying low is great, too. If you're looking for a safer investment in gold, you can buy [Franco-Nevada](#) on dips. It doesn't have exploration risk and has a large portfolio of royalties or streams to remain profitable in all economic cycles.

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