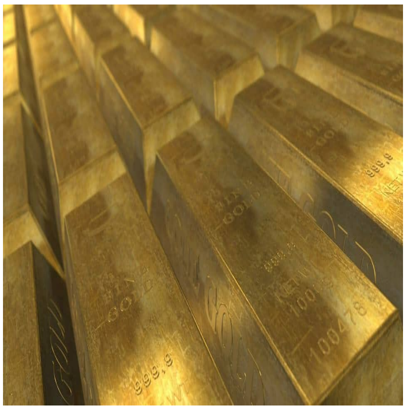

This Small Gold Company Could Rise Another 1,000% in 2019

Description

Guyana Goldfields Inc. (TSX:GUY) has a history of impressive runs.

In 2004, shares shot up by 1,000% in 6 months. In 2006, shares doubled in 30 days. Following the financial crisis in 2009, shares experienced another 1,000% run. Most recently, shares tripled in 2016.

Unfortunately, repeated strong runs were always a result of similarly sized downturns. Recently, shares have fallen 75% from their highs in 2018, down to just $1.70 per share—that's roughly the level shares bottomed out at before every impressive run listed above.

If history is any suggestion, Guyana Goldfields could be on the verge of another rapid rise. Will history repeat itself in 2019?

Temporary pressures have nothing to do with the company

Forced selling often provides great buying opportunities. It's the motivating factor behind the historically successful spin-off strategy.

Often, when a company is separated from its parent company, institutions are forced to sell shares for multiple reasons. The company could be too small for the funds objectives, or maybe they weren't interested in that slice of the company's operations anyway.

Whatever the reason, companies can experience massive selling pressure that has nothing to do with its underlying fundamentals. That's exactly what's going on with Guyana Goldfields.

On June 17, 2017, GDXJ (an $18 billion ETF) started to sell a long list of small, junior miners, including Guyana Goldfields. They replaced this section of the portfolio with large cap competitors. As one report read, "The juice that used to be provided by the smaller miners is now either gone or at least largely diluted."

In total, roughly $2.6 billion dollars' worth of shares were disposed, never to be bought again by the index. That equated to a week's worth of volume per small, junior miner. Unsurprisingly, Guyana

Goldfield shares have fallen roughly 70% since then, with trading volumes drying up recently.

Under the hood, the fundamentals are sound

When Guyana Goldfields shares traded at current levels in the past, bankruptcy fears were swirling. This time around, the company is in one of its best financial positions in years. With cash of $93 million and debt of just $45 million, it has a rare net-cash position. By comparison, competitor **Torex Gold Resources Inc** has a net-debt position of $250 million.

The company's primary mine, the Aurora property, also has the highest grades of gold in the industry, with 2.9 g/t AuEq. More popular miners like **Kinross Gold Corporation**, **Yamana Gold Inc**, and **Tahoe Resources Inc** stand at roughly 0.7 g/t AuEq.

All-in sustaining costs are between $1,025 and $1,050 per ounce, giving the company plenty of operating flexibility (not to mention profitability) at current prices.

Apart from the forced selling due to a massive ETF rebalancing, the market is probably overly focused on recent results, which showed rising costs and falling production. All of this ignores the company's prospects in 2019 and beyond.

Starting this year, production should ramp aggressively, with costs falling in suit. By 2021, production will nearly double from current levels, with all-in sustaining costs falling by a whopping 40%. Never in its history has Guyana Goldfields been so attractively positioned, despite its floundering share price.

This is your rare chance at a home run

While a 1,000% rise isn't out of the question, it's not difficult to justify 500% upside. Currently, the company's stock trades at a heavy discount to its competitors, at just 0.2x its net asset value. When dramatically higher production alongside falling costs hit the income statement, expect the market to re-rate shares in a hurry.

While we don't know for sure will happen in 2019, Guyana Goldfields looks like a remarkable bet for the years to come.

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